

S. HRG. 109-137

**LIVING STRONGER, EARNING LONGER:
REDEFINING RETIREMENT IN THE 21ST CENTURY
WORKPLACE**

HEARING
BEFORE THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE
ONE HUNDRED NINTH CONGRESS

FIRST SESSION

WASHINGTON, DC

APRIL 27, 2005

Serial No. 109-6

Printed for the use of the Special Committee on Aging



U.S. GOVERNMENT PRINTING OFFICE
23-281 PDF

WASHINGTON : 2005

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

SPECIAL COMMITTEE ON AGING

GORDON SMITH, Oregon, *Chairman*

RICHARD SHELBY, Alabama	HERB KOHL, Wisconsin
SUSAN COLLINS, Maine	JAMES M. JEFFORDS, Vermont
JAMES M. TALENT, Missouri	RUSSELL D. FEINGOLD, Wisconsin
ELIZABETH DOLE, North Carolina	RON WYDEN, Oregon
MEL MARTINEZ, Florida	BLANCHE L. LINCOLN, Arkansas
LARRY E. CRAIG, Idaho	EVAN BAYH, Indiana
RICK SANTORUM, Pennsylvania	THOMAS R. CARPER, Delaware
CONRAD BURNS, Montana	BILL NELSON, Florida
LAMAR ALEXANDER, Tennessee	HILLARY RODHAM CLINTON, New York
JIM DEMINT, South Carolina	

CATHERINE FINLEY, *Staff Director*
JULIE COHEN, *Ranking Member Staff Director*

C O N T E N T S

	Page
Opening Statement of Senator Gordon Smith	1
Opening Statement of Senator Herb Kohl	3
PANEL I	
Frank Robinson, manager, Washington Nationals, Washington, DC	4
Barbara D. Bovbjerg, director, Education, Workforce, and Income Security, U.S. Government Accountability Office, Washington, DC	11
PANEL II	
Kathlyn Peterson, medical and surgical transcriptionist, SSM Health Care, Madison, WI	36
Laurie Barr, assistant director of Human Resources, Oregon Health & Science University, Portland, OR	40
Douglas Holbrook, vice president and secretary/treasurer, AARP Board of Directors, Washington, DC	44
Valerie Paganelli, senior retirement consultant, Watson Wyatt Worldwide, Seattle, WA	55
APPENDIX	
Prepared Statement of Senator Larry Craig	67
Information submitted by AARP	68

(III)

LIVING STRONGER, EARNING LONGER: REDEFINING RETIREMENT IN THE 21ST CENTURY WORKPLACE

WEDNESDAY, APRIL 27, 2005

**U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
*Washington, DC.***

The committee convened, pursuant to notice, at 10:05 a.m., in room G50, Dirksen Senate Office Building, Hon. Gordon H. Smith (chairman of the committee) presiding.

Present: Senators Smith, Kohl, Lincoln, and Carper.

OPENING STATEMENT OF SENATOR GORDON H. SMITH, CHAIRMAN

The CHAIRMAN. Thank you all for coming today to this very special hearing of the Aging Committee. The title of it is "Living Stronger, Earning Longer: Redefining Retirement in the 21st Century Workplace."

I would like to thank Senator Kohl for arranging today's hearing on our aging workforce and how retirement may need to be redesigned to meet the needs of both older workers and their employers. I can't think of a more important topic.

We have three excellent panels of witnesses today and I look forward to a productive discussion with them.

As the baby boom generation approaches retirement, significant changes will occur with respect to the makeup of the American workforce. According to the Census Bureau, the portion of the American population that is age 65 and older will increase from 12.3 percent in 2002 to 18.2 percent in 2025. Furthermore, the number of Americans between the age of 55 and 64 will grow by about 11 million people from 2005 to 2025, while the number of Americans between the ages of 25 and 54, the age group with the highest labor force participation, will only increase by about five million during the same period.

These trends may result in future labor shortages, which could hurt both the competitiveness of many American businesses and our economic growth as a whole. Furthermore, with the number of baby boomers that will be retiring shortly, we also must be concerned with the brain drain that may occur. Our workforce will be losing some of the most experienced workers, many of whom have skills that simply are not replaceable.

The effects of these trends can be lessened if older workers decide to stay in the workforce longer, and it appears from recent

data that this is occurring. For example, according to the Census Bureau, from 1995 to 2004, the percentage of 62- to 64-year-old men employed in March of each year rose from 42 percent to 48 percent. There was even more growth with respect to women.

In line with this trend of working longer, a 2004 AARP survey found that 79 percent of baby boomers plan to work in some capacity during their retirement years. There are a number of reasons why older workers decide to stay in the workforce longer. According to a 2005 AARP survey of individuals over age 50 and older, the need for money was a major reason for working in retirement. As the committee discussed earlier this month during its hearing on savings in the context of employer-sponsored retirement plans, the personal savings rate in the United States has declined dramatically over the last two decades. Unfortunately, many Americans have not saved enough to retire without continuing to work.

Beyond financial reasons, the AARP survey also found that the desire to stay mentally active and the desire to stay physically active were also major reasons for working in retirement. As Americans are generally living longer and healthier lives, many are simply just not ready to fully retire at the traditional retirement age.

In response to these trends, many employers have already implemented some of the best practices. For example, many employers offer elder care benefits and provide flexible work arrangements. One retail employer allows employees to work at their Florida stores during the winter and their stores in other areas of the country during the summer.

Another solution that some employers have explored is phased retirement. Instead of fully retiring at a particular age, an individual phases into retirement or simply leaves the workforce gradually. For example, an employee may transition from a full-time to a part-time position.

According to the 2005 AARP survey of all the working respondents, 38 percent indicated that they would be interested in participating in phased retirement. Of those workers who expressed interest in phased retirement, 78 percent expect that the availability of such a plan would encourage them to work past their expected retirement age. Therefore, implementing a phased retirement program may assist some employers in retaining their older workers.

I want to thank all of our witnesses here today for coming to discuss this important issue and I look forward to their testimony. It is a particular honor for me as the chairman to welcome Frank Robinson. I told him earlier that as a boy in this town, I was an avid Senators fan and used to watch he and Brooks Robinson put away the Senators in seemingly just a few innings because he could hit and field like few who have ever taken the baseball diamond, and it is a great privilege to meet him here today.

Before we hear his testimony, I will turn the microphone over to my colleague, Senator Herb Kohl from the State of Wisconsin.

OPENING STATEMENT OF SENATOR HERB KOHL

Senator KOHL. I thank you very much, Senator Smith, and we welcome everyone to this hearing on the subject of the increasing number of older Americans who are working longer.

We also want to thank all of our witnesses here today. Mr. Robinson, we especially want to thank you for coming today because we know you have a game this afternoon, and I would imagine that the Phillies manager, Charlie Manuel, who you are playing this afternoon, probably wishes you would just go ahead and retire. [Laughter.]

During the next few decades, the number of Americans over age 65 will increase from 12 percent of our population to almost 20 percent. This demographic wave will require all of us to adjust our perceptions of what retirement means in the 21st century.

Fortunately, today's generation of seniors are living longer, are healthier, and are staying active and productive in their communities. They share an astonishing history, building our economy into the strongest in the world, fighting for the freedoms we enjoy today, raising their families, and fostering their communities. Seniors are indeed a treasure trove of knowledge, experience, and wisdom. They are an invaluable resource that we would be foolish not to make the most of.

Today, older Americans not only have the ability to work longer, but many also have the desire. Health has been on a steady incline. Jobs are less physically demanding. According to a recent survey by AARP, 80 percent of baby boomers today expect to work into their retirement years. Today, only 13 percent of people over 65 are in the workforce, so this is a remarkable demographic shift.

Older Americans are choosing to work for many reasons. For example, 74-year-old Eugene Schuliss from Milwaukee is working part-time because he says it keeps his mind sharp and gives him a good balance of work and free time. Arlene Roos, an 85-year-old factory worker from Oconomowoc, WI shows up early and works overtime because it keeps her active every day. Ella Clark Nuite of Georgia, who is 100 years old and was recently honored by Experience Works as America's Outstanding Older Worker, still runs her small business and believes that work keeps her healthier.

Whatever the reason people decide to stay in a job, it is time to change the way we think about retirement. A one-size-fits-all approach will no longer match the very different plans that seniors and baby boomers have for their later years.

Rethinking retirement is also vital to our nation's economic future. With more Americans retiring and fewer young workers to replace them, companies face a labor shortage. We could face a gap of about 18 million workers by 2020. In the future, our economy will increasingly depend on keeping experienced employees in the workforce. Some businesses have already begun to recognize the talent of our nation's seniors. We need to encourage their efforts and take a close look at laws that make it difficult for them to attract and keep older workers.

For example, we could reexamine pension laws to find ways to encourage what is called phased retirement, a gradual transition from full-time work to full retirement. We could also make job assistance and training programs more widely available to older

workers. A recent study found that companies offering elder care programs helped keep people in the workforce.

We look forward to learning more about these options today and working with our colleagues in the coming months to consider ideas that would help.

Today, we have two examples of seniors who continue to contribute in their mature years. Frank Robinson brings 50-plus years of work experience to his profession and he continues to have a positive impact on the players he works with. Kathlyn Peterson still uses her lifelong experience in the medical profession to benefit hundreds of patients. They are just two examples of how the meaning of growing older is changing in our country.

Older workers have a lot to offer to businesses, their communities, and their country. Today, older Americans are healthier, more active, and many are willing and able to continue to make contributions to the workplace and to their community, so we must incorporate this new mindset into our national culture and develop policies that reflect this reality. Our seniors deserve it and our economic future may well depend upon it.

So we will go now to our first panelist, Frank Robinson, and we are all pleased to welcome you here, Mr. Robinson.

For most of us, Frank Robinson needs no introduction. Frank Robinson was one of our country's most beloved and renowned major league baseball players. After earning the honor of Rookie of the Year in 1956, he went on to an incredible 20-year playing career. He was first to be named Most Valuable Player in both leagues, and in 1982, he was elected to the Baseball Hall of Fame. In 1975, he became the major leagues' first African American manager, and today, he is still a force to be reckoned with. He is today the manager of Washington's new hometown baseball team, the Nationals.

So, Mr. Robinson, we thank you for taking the time to join us today and we invite you to speak as you wish. Mr. Robinson.

STATEMENT OF FRANK ROBINSON, MANAGER, WASHINGTON NATIONALS, WASHINGTON, DC

Mr. ROBINSON. Mr. Chairman, Senator Kohl, I didn't come here, and I didn't want to make any corrections, but I have to correct you. It was 21 years. [Laughter.]

Accepted.

The CHAIRMAN. Without objection, it is accepted. [Laughter.]

Mr. ROBINSON. Thank you for having me here today. It is a pleasure to be here and speak on this subject. I think it is a very important subject that should be taken into consideration and seriously by people out here in the workplace.

I will just give you a little background on my life and then I will answer questions afterwards. I was born in Texas and I was raised in Oakland, CA. I was brought up in a single home. My mother was the only adult in the house. As a young man growing up, she gave me values that I live by today. I work hard, don't expect anything for nothing, anything worth having is worth working for, and those are the values that I live by today.

I grew up in a neighborhood that I could have gone either way. I could have had a 20-year sentence in San Quentin or someplace

like that, or I could have a 21-year career in baseball, and I chose baseball. It was a very easy choice for me as a young man because I didn't want to ever do anything to embarrass my mother or bring embarrassment to my family, so I did that. She lived by values and she never laid a hand on me as a kid. But the looks that I got, I knew what it was.

Early on in my young adult life, my young life, I knew I wanted to be a baseball player. As a matter of fact, I told my counselor in high school that I was going to sign a major league contract for \$75,000. I eventually signed a minor league contract for \$3,500. But a love of baseball just was in my blood from the beginning. I played other sports in high school and sandlot baseball, basketball, football, but baseball was my love.

I was in the minor leagues for 2½ years in the South and my job was to work as quickly as I could to get to the major leagues. I made it in 2½ years. I had the opportunity to make it in a year-and-a-half, but I had a very bad injury to my shoulder that set me back. That bothered me my entire career, but I overcame that to make it to Cincinnati in 1956.

My goal at the beginning was to play five years. I didn't think anything would last for much longer than that in the major leagues. The average at that time was, like, three to four years. Then when I made five years, I said, why not ten? Ten, why not 15? Fifteen, why not 20? I made 21.

As I was closing in on the end of my career, I decided that I wanted to go into management. But something was brought to my mind very strongly in 1965, the winter of 1965, when I was traded from Cincinnati to Baltimore, and the reason given by the owner and general manager of the Cincinnati Reds, Bill DeWitt, was I was an old 30, so I had to move on. My career was coming to an end. Well, I played, I think, 11 more years after that and had some production.

But I knew that I was winding down and I wanted to stay in baseball, so I started going to winter ball as I was playing to manage down there to gain experience. The one thing that African Americans heard the most when it came to not being able to manage in the major leagues was that you didn't have the experience, so I wanted to take that out of play. So I went down to Puerto Rico for six straight winters. My family made the adjustment because my wife said to me, "Frank, whatever you have to do to be successful and continue your career, the family will adjust to you," so that made it much easier for me to put that time in down there, and it was well spent, because when I became a manager in 1975, it really helped me as far as my managing.

The first year, I made a lot of mistakes. I thought I was ready, but it takes a while. You learn on the job. You make adjustments. I spent 2½ years at Cleveland and I was out of a job, and the most devastating thing in baseball is to be traded or released or fired the first time. I didn't leave the house for a week. But then after that, I said, hey, what is going on? Get your life back together. You want to stay in baseball, make a couple of calls.

But my career has continued because I want to stay in baseball. I enjoy being in baseball. I feel like I have something to give to baseball, and as long as my health is good, my energy level is up,

and someone feels like I can contribute to the game of baseball, I will be in baseball.

When the day comes and I am not in baseball, I don't feel like I have the health or the energy to play, I will move on to something else. People say, how do you feel at 40? How did you feel at 40? How did you feel at 50? How do you feel when you turn 60? I said, I don't know. I feel the same as I have always felt. I feel good. I want to do things.

My mind is nowhere near retiring. I don't think retiring is good for individuals. It is not for me. I am a doer. I am a goer. I enjoy being involved in things, and I think if a country has a mindset—we have been taught, I think, learned to work toward retiring at a certain age. You work to that age, then you retire and collect your benefits.

Well, times have changed. Individuals have changed. I don't think you can throw a blanket over the entire society and say you should retire at 50, or 60, or 70, or whatever because there are individuals out there that have a lot of things and a lot of knowledge to give even beyond retirement age.

As long as—I have changed as a manager, for instance. People have said I have become soft. Well, I haven't become soft. What I have been able to do over the years is make adjustments in this game to continue to be successful and to keep up with the youngsters, the crowd. I draw my energy from my players, and the players that I have here and have had in Montreal for three years and here now are the reason why I am really still managing in baseball today, because 11 years before I got back into the game, when I retired at Baltimore, I was through with managing. I felt like I had my due. I had my say. I had my chances. It was time for others to have their opportunity.

But when Commissioner Selig asked me if I would manage the Montreal Expos for one year, because remember, the contraction thing was in vogue then, I said, for one year, I could do it. My energy level is up. I feel good. I am healthy. I am the man for the job. One year is turning into four and I still feel like I am the man for the job. The energy level is up. The health is good.

Managing is a lot of stress. It is a lot of stress. But I feel like if you are allowed to just leave that stress at the ballpark and you go home to your family, you can relax and go to bed and get a certain amount of hours of sleep, you can overcome that stress and the strain. You have to let it out. You can't let it buildup. I learned that when I was a player, when I went oh-for-four or we lost a ballgame, I struck out in the ninth inning with the bases loaded, my team lost. I left that ballgame and left that stress and strain and that failure at the ballpark and I came back each day feeling like I was going to be successful.

I was very fortunate to be successful, I think a little bit more than I failed, and I have a lot of people to thank for that because I had people that gave me good values at the beginning, a coach in Oakland, CA, gave me my foundation as a player and my knowledge as a manager that I draw from today and I thank them every day that I have been in this game of baseball. He is no longer living now, but I still thank him. Jackie Robinson, he said, he hoped he would see an African American in the dugouts before he passed

away. That didn't happen, but I was very proud on the day that I did become the first African American manager.

I don't know if I will retire at any time. I have told people, as long as someone wants me to be in baseball and my energy level is up, they are probably going to have to come get me and put me in that pine box and say, "Goodbye, Frank. It is time to go." But until that day comes, and I enjoy this game and have something to give—I don't want to be given anything. I feel like if I have something to give, if someone wants to draw from my knowledge of the years and the experience and the know-how and the bumps and the hills you have to climb and overcome over the course of time, I will be there to do that. I try to pass that on to younger constituents.

I try to pass that on to young players, that age is just a number. What you do and how you feel and how you conduct and carry on your life is the most important thing, and don't let anyone ever tell you you can't do something because the will to do something is stronger than the physical ability to be able to do it.

I was not a great player coming out of high school. As a matter of fact, my mother wanted me to go to college and the money was there. She had saved it. She had worked hard to save the money for me to go to college. When I graduated from high school, I said, "Mom, it would be a waste of your money for me to go to college because I don't think I would be a good student. I want to play baseball." She said, "Frank, if that is what you want to do, go do it." She was always very supportive of me and I will never, never forget what she did for me as a young man to set me up to where I am today, and I believe that is why I am where I am today.

Doing things in this game today and outside of this game is very important to me, and I think with this committee, I think this is one of the nicest things or nicest committees, because you know, I have sat at home and watched the other committees and it wasn't as much fun watching those committees, real people here. I am sitting here and even being grilled. [Laughter.]

But I think that this committee could just convey and get across to the workplace out there, the people that hire and fire, that a number doesn't mean someone cannot be productive. In this age, we are living longer and in better health because of all the advanced medicine today, operations today. For instance, I had a knee operation in 1967 and I was out for about six months. They have that operation now and you are playing in three days, so that is how much the medicine kind of has advanced. Also, when I had my bad shoulder, operations were taboo because we felt if you had an operation, in those days, your career was over. But nowadays, they go in and fix it and you are even stronger.

What I am trying to say, I think it is very, very important for this committee to get behind a workforce in the world today and get the people that are hiring to understand that senior citizens still can be of value in the workplace and they can still contribute to our society. Don't look at them being 65, 70 years old or younger.

I would say to our constituents and the public, don't give in to age. Don't look for something to be given to you. If you feel like you want to work beyond retirement, do it. Do it. Don't take no for an answer. It is like when you come out of high school or college and

you go to be interviewed for a job and they say, "How much experience do you have?" You say, "None." They say, "Well, when you have some experience, come back." Well, if someone never hires you, how are you going to gain experience? So why not take advantage of the experience that people gain over the years?

I think that baseball fell into that rut of youth, computer age, see you later, you old senior citizens. You can't work a computer, so you can't keep up with these young people. You don't know what is going on in baseball. You can't maneuver the numbers around and that computer says so and so is 10 for 20 against this pitcher. You don't know what that means.

But I do know one thing. I don't have to look at that computer. I know if a hitter can have success against certain pitchers and pitchers against certain hitters. I don't have to be able to work that computer. But I know I have gained a lot of experience, a lot of knowledge that I have been able to bridge the gap from 1975, 1956 to now, by adjusting to the players, adjusting to the lifestyle and understanding what you have to do today to be successful. That is what I have done over the years, and I hope that we can get that as this committee goes on out into the workplace and get people to understand age is only a number.

Thank you for having me here today.

Senator KOHL. That was a great, great statement, Mr. Robinson. As prominent as you are, you are a great testimonial to the qualities and excellence that people who are older and experienced can bring to the workforce. It is just great to have you here and touching on all these points that are so relevant and so important as we confront our situation in America of people getting older and wanting to be productive and how important it is that we allow them to do that. You are a living example of it all at its very best.

I am not going to grill you. [Laughter.]

Senator KOHL. What you said, you said it so well and you say it all and you say it so correctly. It is just a pleasure and a privilege to have you here today.

Senator Smith.

The CHAIRMAN. Thank you, Senator Kohl. Coach, I was very gratified you expressed that you felt at home here at the Senate and we want you to feel at home here because you are performing by your presence and with your words a great service to an America that is aging. You are a living embodiment that age is a number. How old you are is how you feel.

I was also very touched by your many references to your mother. As we approach Mother's Day in the coming weeks, your words cause me to reflect upon my own youth in this town. When I was a teenager, I would set an alarm every morning and my mother, I am sure, would hear it go off. But if she didn't hear me get up, she would call down to the basement, where my room was, "Get up, Gordy, or you won't amount to a hill of beans."

When I was elected to the U.S. Senate, my mother was then still alive and I moved in with her before I could move my family back to Washington after the school year, so I spent 9 months living with her. One morning my alarm went off and she apparently didn't hear me up and she opened the door and said, "Gordy, get up or you won't amount to a hill of beans." [Laughter.]

So I am still working on it, and obviously you are showing an example of how we can all amount to more than a hill of beans. I just can't thank you enough for your life, your service, and the great example.

I suppose the only question I would have is do the players, the young players, most of whom I assume are in their 20's, do you think it is of value to them to have an adult in the dugout? [Laughter.]

Mr. ROBINSON. Yes, it is.

The CHAIRMAN. Do they look at you with some authority, I suppose, that really does come with time in the batter's box and in the dugout of managing?

Mr. ROBINSON. I think a lot of them are awed by it and they stand off and they are afraid to approach me at times. But others draw from it and take advantage of it. I am very happy when they do that because I can talk baseball all night long. I can talk about baseball. I don't force myself or my knowledge and what I know on anyone, but if you reach out to me, I am very happy to share it with you. There comes a time sometimes, though, I have to, as a manager, kind of force my will on certain players, but not too often. I am just happy to be able to pass on what I have learned, and I try to tell them to this extent.

I had bumps and I had falls and I had setbacks in my life and my career and I am just trying to give you this knowledge and this understanding of the game and life itself so you can maybe not have some of those bumps and some of those falls and setbacks, and maybe you will have a little smoother career and a little longer career, and this is what I pass on, not because I am trying to show you how smart I am or anything like that.

The CHAIRMAN. As the manager of the Nationals, do you hire other coaches that are your contemporaries or who have the wisdom of years and do you encourage them to stay in the employ of the Nationals past retirement?

Mr. ROBINSON. Yes, I do. As a matter of fact, one of my players said, "You know, Frank, you have a senior citizens' coaching staff here." I said, "No, I don't. I have one down under 40." [Laughter.]

But I try to do that for a reason, because of the experience and the knowledge that the individuals have, and I try to bring that on board because I think it is important over a 162-game schedule. No matter how many times you have to tell an individual something, sooner or later, it will click, believe me. It may not be this year. It may not be next year. But maybe five years down the road, it may click.

For instance, I had a young man, 20 years old, Dennis Eckersley, I brought him up to the major leagues with me. I had to fight to get him on the staff, on the ball club my first year. It was about September, he had a shutout, eight-to-nothing in Milwaukee against the Brewers, and I went out and took him out of the ballgame after eight innings and he was livid. He was livid. So the next day, I talked to him about it because a very good friend of mine said, don't make any decision, don't have any discussions when someone is upset or mad, and that's very good advice. So I talked to him the next day and I explained it to him. I said, you're going to have a long, long career. You're going to be around playing

when I'm gone. Well, I'm still around and he's retired, though—
[Laughter.]

But, I said, you only have one of those things on your shoulder right there, that right arm, one of them, and I am not going to misuse you or abuse you now. I said, "You will know what I did for you later down the road sometime."

Five years later, he is with the Boston Red Sox and he came up to me one day and said, "Frank, thank you." I said, "Thank me for what?" He said, "For what you did for me when I was a youngster back in Cleveland, taking care of me, watching out for my career. I appreciate that now." So it comes about. It gets through sooner or later.

The CHAIRMAN. That is a terrific story.

I know Senator Kohl employs many people in the other part of his life, and so do I in a food processing plant out in Oregon, and many of my managers have gray hair and they still perform past retirement. I particularly value that. I wonder if you have seen, like I have, that often when people do retire at the traditional age and get the gold watch, they go home and they quickly pass away because—maybe it is some correlation, maybe not, but it does seem that having a reason to get out of bed and a purpose to go to work often extends life. Have you had that experience?

Mr. ROBINSON. Oh, yes, I do. I have had it, and this is the reason why I keep going, because friends of mine are all the time after me, why don't you retire? You have done almost everything there is to do and accomplish in the game of baseball. I said, I am not the retiring kind because I don't feel like I will have the quality of life sitting around the house, going to play golf on occasions, and just trying to find things to do.

For instance, it was kind of really brought home to me in a real strong way. A very good friend of mine that I grew up with, Avada Pinson, played for about 18 years in the major leagues and he coached after that for a number of years. He was out of baseball at 57 and he was working with the young people in Oakland, CA, and he had come from a little league ballpark from working with the kids on a very nice afternoon. He went home and sat in his La-Z-Boy chair, and that is where they found him three days later and he had passed away, at 57.

The CHAIRMAN. Wow.

Mr. ROBINSON. That drove it home to me, that to stay active is the best way, and the quality of life. I am not a big buff of working out and running and doing things like that because I did that for 20-some years. Now I will look at the treadmill and I will get my energy from that— [Laughter.]

But I do at least now watch what I eat and I watch my weight. People say to me now, boy, you look good. You look great for your age. I say, what does that mean? I say, I look great and feel great no matter what age I am because I do watch that and I know when I am getting a little heavy. Then that is when I exercise a little bit. But other than that, I try to just eat healthy and stay active and hopefully I will have a long life.

The CHAIRMAN. Coach, let me just simply say that while we are a small committee up here, the Aging Committee is not the Finance Committee or the Appropriations Committee, and it is prob-

ably a small committee in terms of the U.S. Senate, it is a large committee in terms of the audience that it enjoys from senior citizens in this country, and so we hope today through C-SPAN there is a very large audience looking at you and learning from your example. We profoundly thank you for your service to our nation by your presence here today.

Mr. ROBINSON. Well, Mr. Chairman, Senator Kohl, thank you for having me here today. It was my pleasure.

Senator KOHL. Thank you, Mr. Robinson. Good luck this afternoon.

Mr. ROBINSON. Thank you.

Senator KOHL. Our second panelist is Ms. Barbara Bovbjerg, who is the director of Education, Workforce, and Income Security Issues for the Government Accountability Office. There, she oversees GAO's work on retirement income policy issues. Ms. Bovbjerg previously served as Assistant Director for Budget Issues at GAO and also worked for the District of Columbia's Budget Office and at the Urban Institute.

Ms. Bovbjerg, we welcome you here today and we look forward to your testimony.

**STATEMENT OF BARBARA D. BOVBJERG, DIRECTOR,
EDUCATION, WORKFORCE, AND INCOME SECURITY, U.S.
GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, DC**

Ms. BOVBJERG. Thank you, Mr. Chairman, Senator Kohl. I am really thrilled to be here. It is an honor to be asked to speak on this topic, and it is a tremendous honor to be sitting at the same table just occupied by Mr. Robinson, who now I have learned is not only a towering figure in sport, but also very eloquent and a difficult act for me to follow.

I am here to discuss the importance of helping older workers earn longer. Demographic trends pose serious fiscal and economic challenges to America in the 21st century and Americans who choose to work rather than fully retire may form part of the answer to ensuring a healthy economy in the future.

Today, I would like to discuss the broad demographic and economic trends that underlie our concerns about the future, essentially why it may be important to encourage those who want to work to continue to do so. I also plan to provide an overview of the factors affecting older Americans' decision to work or to fully retire. My statement is based on prior GAO work on this topic, much of it carried out for this committee.

First, the importance of earning longer. Older Americans are becoming a growing segment of the population. Today, the oldest members of the baby boom generation are nearing retirement age, and as this relatively large generation ages, they will create an increasingly gray America. At the same time, life expectancy is increasing. Whereas in 1940, men at age 65 could expect to live another 12 years, today, men age 65 are living 16 more years, on average. Similarly, women reaching 65 lived about 13 years in 1940. Today, they can expect to live another 19 years. While living longer is good news, make no mistake about it, most people are living longer in retirement rather than extending their working lives.

A falling fertility rate is also a factor in our aging population. The fertility rate describes the ratio of the number of children born to the number of women of childbearing years. In the 1960's, the fertility rate was about three children per woman. Today, that rate has fallen to a little more than two children, and by 2030 will fall to 1.95. This trend is a major factor in the slowing growth of the U.S. labor force in the last decade and going forward. By 2025, labor force growth will be about a fifth what it is today.

These trends will help increase the share of the American population age 65 and older from 12 percent in 2000 to almost 20 percent in 2030. With relatively fewer people of traditional working age available to produce goods and services, our nation could experience slower economic growth and ultimately slower growth in living standards. These negative outcomes could transpire at the very time that budgetary pressures to finance Social Security and health care will be at their peak.

There are various policy approaches for the Federal Government to consider in addressing these challenges. Whatever policies are to be adopted, acting relatively soon to address unsustainable growth in Federal health and retirement programs is important.

Helping older Americans earn longer can also be part of an approach that could both improve the financial resources of older individuals and families while helping mitigate the economic and fiscal impacts on our nation.

Let me turn now to older workers' retirement decisionmaking. Many factors reportedly influence workers in deciding whether to work or to retire. For example, a number of surveys suggest that some workers choose to remain in the labor force past retirement age simply because they enjoy working and like staying active, a point Mr. Robinson made so effectively. An individual may also decide to continue working until his or her spouse is ready to retire, or retire earlier because his or her spouse is retiring.

Other factors in the worker retirement decision include an individual's health status, the availability of health insurance, and eligibility for early retirement benefits. Even when early retirement benefits are actuarially neutral, as in the Social Security program, the mere presence of such benefits can create an incentive to retire.

Finally, the availability of suitable employment is a crucial element in deciding whether to continue working. Although surveys indicate that many older workers would like to partially retire, we have found that offering such flexible options is not a widespread employer practice.

We currently have ongoing work that seeks to identify in more detail the elements of older worker retirement decisions with an eye to policy implications for the Federal Government.

In conclusion, policies that encourage rather than discourage older people to continue working would benefit both the economy and individuals. Such policies might redefine retirement by encouraging more widespread availability of flexible employment and partial retirement arrangements and by removing incentives that induce workers to fully retire when they are, in fact, willing to work.

This concludes my statement, Mr. Chairman, Senator Kohl, Senator Lincoln. Alicia Cackley is with me today. She is our assistant director for Retirement Income Policy Issues, and we welcome any

questions that you and the committee might have. I would also like to ask that our written statement be submitted for the record.

Senator KOHL. Without objection.

[The prepared statement of Ms. Bovbjerg follows:]

United States Government Accountability Office

GAO

Testimony
Before the Special Committee on Aging,
U.S. Senate

For Release on Delivery
Expected at 10:00 a.m. EDT
Wednesday, April 27, 2005

REDEFINING RETIREMENT

Options for Older Americans

Statement of Barbara D. Bovbjerg, Director
Education, Workforce, and Income Security



GAO-05-620T

April 27, 2005

REDEFINING RETIREMENT

Options for Older Americans

Why GAO Did This Study

In the 21st century our nation faces a growing fiscal imbalance. A demographic shift will begin to affect the federal budget in 2008 as the first baby boomers become eligible for Social Security benefits. This shift will increase as spending for federal health and retirement programs swells. Long-term commitments for these and other federal programs will drive a massive imbalance between spending and revenues that cannot be eliminated without tough choices and significant policy changes. Continued economic growth is critical and will help to ease the burden, but the projected fiscal gap is so great that it is unrealistic to expect that we will grow our way out of the problem. Early action to change existing programs and policies would yield the highest fiscal dividends and provide a longer period for prospective beneficiaries to make adjustments in their own planning. One of the potential policy changes is assisting older workers who want to stay in the workforce past retirement age.

The Chairman and Ranking Member of the Senate Special Committee on Aging asked GAO to discuss demographic and labor force trends and the economic and fiscal need to increase labor force participation among older workers. This testimony will address those factors making it important to encourage those who want to work to continue doing so, as well as factors affecting older Americans' employment decisions.

www.gao.gov/cgi-bin/getpr?GAO-05-620T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov.

What GAO Found

The aging of the baby boom generation (those born between 1946 and 1964), increased life expectancy, and falling fertility rates pose serious challenges for our nation. These trends will affect the size and productivity of the U.S. labor force and its output and will have real and important impacts on employers and the economy. With the impending retirement of the baby boom generation, employers face the loss of many experienced workers and possibly skill gaps in certain occupations. This could have adverse effects on productivity and economic growth. Furthermore, the expected increasing ratio of the elderly to those of working ages will place added pressure on Social Security and Medicare, both of which face long-term financial problems. Increasing the labor force by encouraging Americans to work longer may be one part of solutions to these problems.

Although some people can benefit by remaining in the labor force at later ages, others may be unable or unwilling to do so. For those who are able, there are many factors that influence their choices. These include the eligibility rules of both employer pension plans and Social Security, an individual's health status, the need for health insurance, personal preference, and the employment status of a spouse. The availability of suitable employment, including part-time work or flexible work arrangements, may also affect the retirement and employment choices of older workers.

Labor Force Participation Rate at Older Ages Is Projected to Rise Slightly

Labor force participation rate

Year	Women 65+	Men 65+	Women 55-64	Men 55-64
1970	22	62	42	78
1974	20	60	40	75
1978	18	58	38	73
1982	16	56	36	71
1986	14	54	34	69
1990	12	52	32	67
1994	10	50	30	65
1998	9	48	28	63
2002	8	47	27	61
2004	8	46	26	60

Source: United States Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, <http://www.bls.gov/data/home.htm>.

United States Government Accountability Office

Mr. Chairman and Members of the Committee:

Slow labor force growth coupled with an aging population pose serious economic and fiscal challenges to America in the 21st century. Policies that encourage those older workers who want to work to continue doing so or that remove work disincentives for this age group could help mitigate the problem. I am pleased to be here today to discuss the importance of older workers to the labor force, the economy, and the future health of U.S. retirement programs.

Today I would like to look at older workers from two perspectives, considering first those factors making it important to encourage those who want to work to continue doing so and second factors affecting older Americans' employment decisions. GAO has conducted several studies related to older worker issues, including demographic trends and their effects on employers, older workers, the federal budget, and the economy.¹ My statement is based on some of this prior GAO work. We are currently working on a study in greater depth of older workers' perspectives concerning employment and retirement options. We expect to publish a report in the fall.

In summary, the aging of the baby boom generation (those born between 1946 and 1964), increased life expectancy, and falling fertility rates pose serious challenges for our nation. These trends will affect the size and productivity of the U.S. labor force and its output and will have real and important impacts on employers and the economy. With the impending retirement of the baby boom generation, employers face the loss of many experienced workers and possibly skill gaps in certain occupations. This could have adverse effects on productivity and economic growth. Furthermore, the expected increasing ratio of the elderly to those of working ages will place added pressure on Social Security and Medicare,

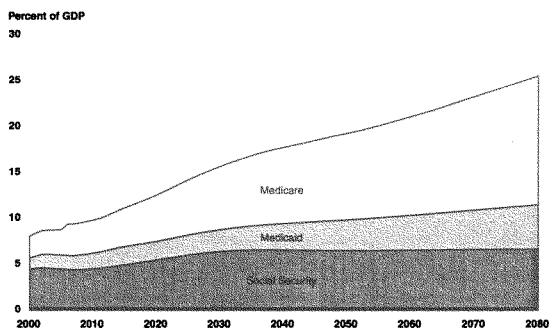
¹ For further information on older worker issues please see the following reports and testimonies: GAO, *Older Workers: Demographic Trends Pose Challenges for Employers and Workers*, GAO-02-85 (Washington, D.C.: Nov.16, 2001); *Highlights of a GAO Forum: Workforce Challenges and Opportunities For the 21st Century-Changing Labor Force Dynamics and the Role of Government Policies*, GAO-04-84SP (Washington, D.C.: Jun.1, 2004); *Retiree Health Insurance: Erosion in Employer-Based Health Benefits for Early Retirees*, GAO/HEHS-97-150 (Washington, D.C.: Jul.11, 1997); *Private Health Insurance: Declining Employer Coverage May Affect Access for 55 to 64 Year Olds*, GAO/HEHS-98-133 (Washington, D.C.: Jun.1, 1998); *Older Workers: Policies of Other Nations to Increase Labor Force Participation*, GAO-03-307 (Washington, D.C.: Feb.13, 2003).

both of which face long-term financial problems. Increasing the labor force by encouraging Americans to work longer may be one part of solutions to these problems.

Encouraging Americans to work longer, if they are able to, requires first understanding the factors influencing that decision. These include retirement income, the availability of health insurance, an individual's health status, and the employment status of a spouse. The availability of suitable employment, including part-time work or flexible work arrangements, also may affect older workers' choices regarding retirement and employment. Given these options, federal policymakers may want to consider creating incentives for older Americans who are able to work to remain in the workforce and ensuring that federal policies do not discourage the choice to work longer. Doing so could enhance future supplies of skilled workers, bolster economic growth, and help many people secure adequate retirement income.

Background

In the 21st century the nation faces a growing fiscal imbalance. A demographic shift will begin to affect the federal budget in 2008 as the first baby boomers become eligible for Social Security benefits. This shift will increase as spending for federal health and retirement programs swells. Long-term commitments for these and other federal programs will drive a massive imbalance between spending and revenues that cannot be eliminated without tough choices and significant policy changes. Over the past several years, GAO has called attention to this problem. Long-term budget simulations by GAO, the Congressional Budget Office (CBO), and others illustrate the growing fiscal imbalance. (See fig. 1.)

Figure 1:

Source: GAO analysis based on data from the Office of the Chief Actuary, Social Security Administration, Office of the Actuary, Centers for Medicare and Medicaid Services, and the Congressional Budget Office.

Note: Social Security and Medicare projections are based on the intermediate assumptions of the 2005 Trustees' Reports. Medicaid projections are based on CBO's January 2005 short-term Medicaid estimates and CBO's December 2003 long-term Medicaid projections under midrange assumptions.

Continued economic growth is critical to addressing this challenge and will help to ease the burden, but the projected fiscal gap is so great that it is unrealistic to expect that the United States will grow its way out of the problem. Early action to change existing programs and policies would yield the highest fiscal dividends and provide a longer period for prospective beneficiaries to make adjustments in their own planning. One of the potential policy changes that could address both the demographic shift and the need for robust economic growth is assisting older workers who want to stay in the workforce past retirement age.

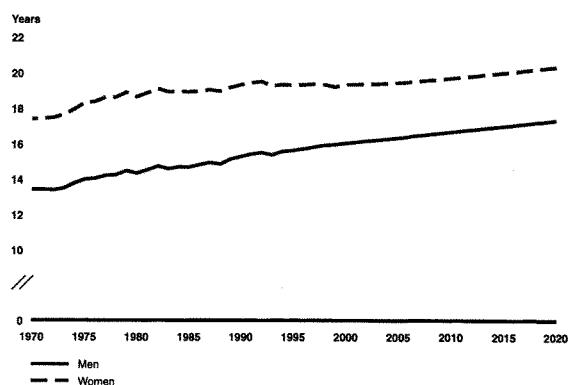
These demographic problems are not unique to the United States. Other countries are also confronting the economic and labor force consequences of aging populations. In fact, the challenges arising from these demographic shifts alone will be less pronounced in the United States than in several other high-income nations. In prior work that we conducted for this committee, we found that Sweden, Japan, and the United Kingdom had enacted retirement policy reforms that included incentives for older

workers to extend their working lives.² At the same time, these countries were also seeking policies that would reduce barriers to employment for older workers.

**Economic and
Demographic Trends
Call For Policies
Encouraging Longer
Working Lives**

In the 21st century, older Americans are expected to represent a growing share of the population, have a longer life expectancy than previous generations and spend more years in retirement. The baby boom generation is fast approaching retirement age; the oldest baby boomers will start to turn 65 in 2011, just 6 years from now. In addition, life expectancy is increasing. The average life expectancy at age 65 for men has increased from just over 13 years in 1970 to 16 years in 2005, and is projected to increase to 17 years by 2020. Women have experienced a similar rise—from 17 years in 1970 to over 19 years in 2005. Women's life expectancy at age 65 is projected to be 20 years by 2020. (See fig. 2.)

² GAO, *Older Workers: Policies of Other Nations to Increase Labor Force Participation*, GAO-03-307 (Washington, D.C.: Feb.13, 2003).

Figure 2: Life Expectancy Has Risen Steadily and May Continue to Do So

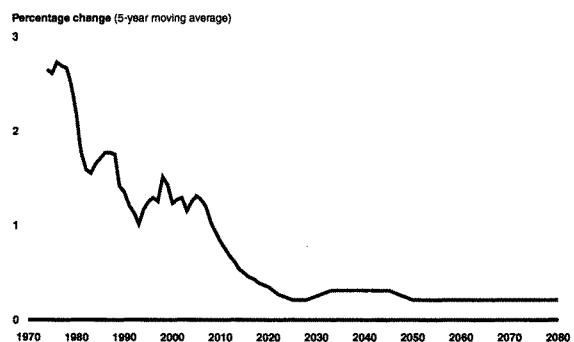
Source: Felicite C. Bell and Michael L. Miller, "Life Tables for the United States Social Security Area 1900-2100," Actuarial Study No. 116, <http://www.ssa.gov/OACT/NOTES/est116/as116TCC.html>.

As a consequence of life expectancy increases, individuals are generally spending more years in retirement. The average male worker spent 18 years in retirement in 2003, up from less than 12 years in 1950.

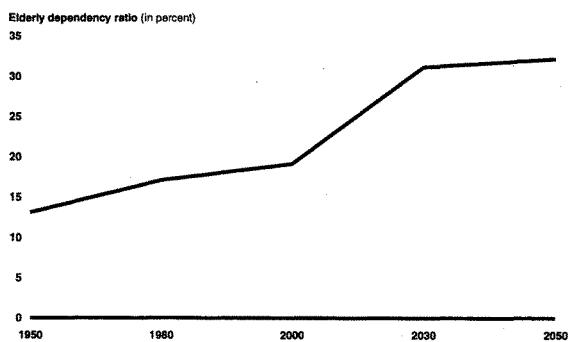
A lower fertility rate is the other principal factor underlying the growth in the elderly's share of the population. In the 1960s, the fertility rate was an average of three children per woman.³ Since the 1970s, the fertility rate has hovered around two children per woman. This decline in the fertility rate is a major factor in the slowing growth of the labor force over the last decade, a trend that is expected to continue. By 2025 labor force growth is expected to be less than a fifth of what it is today, as shown in figure 3.

³The fertility rate is defined as the total number of children born per 1000 women aged 15 to 44 years.

Figure 3: U.S. Labor Force Growth Will Continue to Decline



As a result of these trends, the share of the population aged 65 and older is projected to increase from 12 percent in 2000 to almost 20 percent in 2030. These developments will lead to significant changes in the elderly dependency ratio—the estimated proportion of people aged 65 and over to those of working age. In 1950, there was one elderly person for every 7 workers. The ratio increased to 1 to 5 in 2000 and is projected to rise to 1 to 3 by 2050. (See fig. 4.)

Figure 4: U.S. Elderly Dependency Ratio Has Increased Substantially

Sources: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: 2002 Revision* and *World Urbanization Prospects: 2001 Revision*. Data for 2030-2050 are projected.

Note: The elderly dependency ratio is the ratio of the population aged 65 years or over to the population aged 15 to 64.

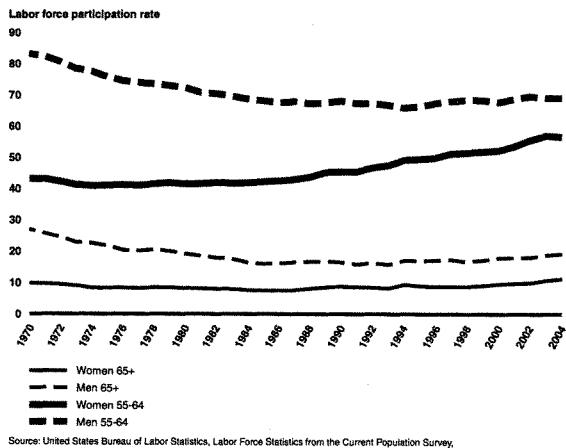
These demographic developments have real implications for the nation's economy. If labor force growth continues to decline as projected, relatively fewer workers will be available to produce goods and services. Without a major increase in productivity or higher than projected immigration, low labor force growth will lead to slower growth in the economy and to slower growth of federal revenues. This in turn will accentuate the overall pressure on the federal budget.⁴ Another concern is the possible loss of many experienced workers as the baby boomers retire. This could create gaps in skilled worker and managerial occupations, leading to further adverse effects on productivity and economic growth.

Though long-term trends in labor force growth present significant challenges, there is some reason for optimism. In recent years, the labor

⁴ For more information on long-term fiscal and economic challenges, please see GAO, *Social Security: Long-Term Challenges Warrant Early Action*, GAO-05-303T (Washington, D.C.: Feb. 3, 2005); *Social Security Reform: Early Action Would be Prudent*, GAO-05-397T (Washington, D.C.: Mar. 8, 2005); and GAO's Web site on long-term fiscal challenges: <http://www.gao.gov/special.pubs/longterm/>.

force participation rate of men over age 55 has increased, and it is projected to continue to increase in the future. After hitting a low point of approximately 65 percent in 1994, the rate for this group rose to more than 69 percent in 2002, and the Bureau of Labor Statistics (BLS) projects it will be almost 70 percent in 2012. For men 65 and older, the rate also increased, to about 19 percent, and is projected to rise to nearly 21 percent by 2012. Similarly, the labor force participation rate of women over 55 has continued to increase. For women 55 to 64, the rate rose to more than 56 percent by 2004 and is projected to grow to over 60 percent by 2012. (See fig. 5.)

Figure 5: Labor Force Participation at Older Ages Is Projected to Rise Slightly



Source: United States Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey,

<http://www.bls.gov/data/home.htm>.

These recent increases in labor force participation by older workers are encouraging. If Americans increase the number of years they work it could ease pressure on government retirement programs by increasing revenues to the Social Security and Medicare trust funds. In addition, individuals can significantly improve their standard of living in retirement. By remaining in the labor force, workers continue to earn income and delay drawing down assets such as pensions and personal savings, resulting in a

	<p>shorter period over which they have to budget their resources. Some researchers have found that delaying retirement can substantially increase annual income in retirement.⁶ For example, they found that postponing retirement from age 55 to age 65 could nearly double real annual income at age 75.</p>
Many Factors Influence Workers' Retirement and Employment Decisions	<p>Although some people can benefit by remaining in the labor force at later ages, others may be unable or unwilling to do so. For those who are able, there are many factors that influence their choices. These include the eligibility rules of both employer pension plans and Social Security, an individual's health status, the need for health insurance, personal preference, and the employment status of a spouse. The availability of suitable employment, including part-time work or flexible work arrangements, may also affect the retirement and employment choices of older workers.</p>
Eligibility Rules	<p>Depending on the eligibility rules and schedule of benefits, it can sometimes be more advantageous for workers to retire than to continue employment. The eligibility age for full Social Security benefits is currently 65 years and 6 months and rising, with reduced benefits available at age 62.⁶ Data from 2002 show that a majority of people (56.1 percent) elect to start benefits at age 62.⁷ Another important retirement incentive is eligibility for employer-provided pension benefits. In the United States, less than half of the labor force has some type of employer-provided pension coverage. In some cases the rules governing these plans create incentives to retire, even for those who may prefer to continue working.</p>
Health Status	<p>Health status and occupation are other key factors that influence the decision to work at older ages. As people age, they tend to encounter more</p>

⁶ Butrica, Johnson, Smith, and Steuerle, "Does Work Pay at Older Ages?" Urban Institute, December 2004.

⁷ The full eligibility age (or normal retirement age) for Social Security benefits is being raised from 65 to 67 from 2000 to 2022. The reduction for taking benefits at age 62 was 20 percent when the full eligibility age was 65. When the age increase to 67 is fully implemented, the reduction will be 30 percent.

⁷ "2004 Green Book: Background Material and Data on the Programs within the Jurisdiction of the House Committee on Ways and Means," March 2004, p. 1-47.

health problems that make it more difficult to continue working or to work full-time. Thus, jobs that are physically demanding, usually found in the blue-collar and service sectors of the economy, can be difficult for many people to perform at older ages. Moreover, health status and occupation are often interrelated since health can be affected by work environment. Although blue-collar and service sector workers may continue to face significant health problems, there is evidence that the health of older persons generally is improving. Research has shown that the majority of workers aged 62 to 67 do not appear to have health limitations that would prevent them from extending their careers, although some could face severe challenges in attempting to remain in the workforce.⁸ In general, however, today's older population may have an increased capacity to work compared with that of previous generations.

Health Insurance	Rising health care costs have made the availability of health insurance and anticipated medical expenditures important factors in the decision to retire. As health care costs continue to rise, many employers have decided to discontinue their retiree health benefits. A recent study estimated that the percentage of after-tax income spent on health care will approximately double for older married couples and singles by 2030. ⁹ People at the lower end of the income distribution will be the most adversely affected. The study projected that by 2030 those in the bottom 20 percent of the income distribution would spend more than 50 percent of their after-tax income on insurance premiums and health care expenses, an increase of 30 percentage points from 2000. Continued employment could provide older workers with more income to help finance health care and in some cases could provide them with employer-sponsored health insurance. However, those least able to work at older ages may also be those with higher health care expenses.
Personal Preference	Researchers have also found that some older workers choose to remain in the labor force for reasons of physical and mental well-being. In recent

⁸ See GAO, *Social Security Reform: Raising Retirement Ages Improves Program Solvency but May Cause Hardship for Some*, GAO/T-HEHS-98-207 (Washington D.C.: July 15, 1998).

⁹ Richard W. Johnson and Rudolph G. Penner, "Will Health Care Costs Erode Retirement Security?" *Issue in Brief*, Center for Retirement Research at Boston College, October 2004, No. 23.

surveys by AARP,¹⁰ Watson Wyatt,¹¹ and the Employee Benefit Research Institute (EBRI),¹² older workers and retirees indicated that, in addition to financial considerations, enjoyment of work and a desire to stay active were important reasons to decide to work in retirement. For example, in the 2004 Retirement Confidence Survey done by EBRI, retirees most often said they worked for pay because they enjoyed working and wanted to stay involved (66 percent); yet a large majority also identify at least one financial reason for having worked (81 percent).

Spouse	In addition, the labor force status of a spouse affects the retirement decision of an older worker. A recent study found that older married couples tend to retire at the same time. ¹³ Another study which analyzed the retirement behavior of married men and women separately found that men were more likely to retire if their wife was also retired, but women were not significantly affected by the labor force status of their husbands. ¹⁴
Alternative Work Arrangements	The labor force decisions of older persons are also influenced by the availability of alternatives to full-time employment. In the United States, there has been interest among older workers who wish to work longer in seeking employment arrangements that allow them to work part-time in retirement. We define partial retirement as a reduction in hours from full-time to part-time work. A partial retiree may have transitioned directly from full- to part-time work at either a current or a new job, or may have returned to work after full retirement. Although surveys indicate that

¹⁰ S. Kathi Brown, "Attitudes of Individuals 50 and Older toward Phased Retirement," AARP Research Report, March 2005.

¹¹ Watson Wyatt, *Phased Retirement: Aligning Employer Programs with Worker Preferences*, 2004.

¹² Employee Benefit Research Institute, *Encouraging Workers to Save: The 2005 Retirement Confidence Survey*, Issue Brief No. 280, April 2005.

¹³ Richard W. Johnson, "Do Spouses Coordinate Their Retirement Decisions?" *Issue in Brief*, Center for Retirement Research at Boston College, July 2004, No. 19.

¹⁴ Courtney Coile, "Retirement Incentives and Couples' Retirement Decisions," NBER Working Paper No. 9496, February 2003.

many older workers would like to partially retire,¹⁵ prior GAO work found that offering such options is not a widespread practice among private employers and does not involve large numbers of workers at individual firms.¹⁶

Employment Opportunities	Labor force participation is not solely the workers' decision—there must also be an effective demand for their labor. Employers' perceptions or biases against older workers may form potential barriers to older workers' retaining their current jobs, finding new jobs, or reentering the work force after retiring. For example, employers may feel that it is more difficult to recoup the costs of hiring and training older workers. All other things being equal, older workers can also raise an employer's cost of providing health insurance. Older workers may also face an obstacle because of a negative perception among employers about their productivity. Although the Age Discrimination in Employment Act protects those age 40 and over from age-based discrimination in the workplace, complaints to the Equal Employment Opportunity Commission suggest that such discrimination does still occur.
---------------------------------	---

Conclusions	To the extent that people choose to work longer as they live longer, the increase in the amount of time spent in retirement could be diminished. By staying in the workforce, older workers could ease financial pressures on Social Security and Medicare, as well as mitigate the expected slowdown in labor force growth. The additional income from earnings also could provide older Americans with greater resources in retirement and improve their financial security.
	Many older Americans are both willing and able to continue working at older ages. As described above, increased labor force participation of older workers would benefit both the economy and individuals. Thus, it is important to (1) encourage more widespread availability of flexible employment arrangements, such as partial retirement, which would make

¹⁵ See Laurene A. Graig and Valerie Paganelli, "Phased Retirement: Reshaping the End of Work," *Compensation and Benefits Management*, Vol. 16, No. 2, Spring and S. Kathi Brown, "Attitudes of Individuals 50 and Older toward Phased Retirement," AARP Research Report, March 2005.

¹⁶ See GAO, *Older Workers: Demographic Trends Pose Challenges for Employers and Workers*, GAO-02-85 (Washington D.C.: November 2001).

it easier for older workers to continue working, and (2) remove incentives that may induce older workers, who would otherwise choose to continue working, to retire.

For those older Americans who are able to work, policies, programs, and alternative employment arrangements that help to extend their working life can enhance future supplies of skilled workers, bolster economic growth, and help many people secure adequate retirement income. We at GAO look forward to continuing to work with this Committee and the Congress in addressing this and other important issues facing our nation.

Mr. Chairman, Mr. Kohl, members of the Committee, that concludes my statement. I'd be happy to answer any questions you may have.

**GAO Contacts and
Staff
Acknowledgments**

For further information regarding this testimony, please contact Barbara D. Bovbjerg, Director, or Alicia Puente Cackley, Assistant Director, at (202) 512-7215. Other individuals making key contributions to this testimony included Mindy Bowman, Sharon Hermes, and Kristy Kennedy.

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission	The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.
Obtaining Copies of GAO Reports and Testimony	The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "Subscribe to Updates."
Order by Mail or Phone	The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to: U.S. Government Accountability Office 441 G Street NW, Room LM Washington, D.C. 20548 To order by Phone: Voice: (202) 512-6000 TDD: (202) 512-2537 Fax: (202) 512-6061
To Report Fraud, Waste, and Abuse in Federal Programs	Contact: Web site: www.gao.gov/fraudnet/fraudnet.htm E-mail: fraudnet@gao.gov Automated answering system: (800) 424-5454 or (202) 512-7470
Congressional Relations	Gloria Jarmon, Managing Director, JarmonG@gao.gov (202) 512-4400 U.S. Government Accountability Office, 441 G Street NW, Room 7125 Washington, D.C. 20548
Public Affairs	Paul Anderson, Managing Director, AndersonP1@gao.gov (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, D.C. 20548

Senator KOHL. Ms. Bovbjerg, is there any conceivable downside to what we are discussing this morning, which is the advisability of encouraging and promoting policies so that seniors will remain in the workforce?

Ms. BOVBJERG. It is hard to see a downside to encouraging people to do something that they want to do. It is hard to see a downside to encouraging people to work when it will improve their retirement income prospects, when it will improve our economic prospects as a nation, and could improve our fiscal prospects, as well.

I think that it is important in looking at particular solutions to look at the balance of the approach to assure that things are done to encourage people to work longer are not in some way having negative impact on people who cannot work longer.

Senator KOHL. As you know, only about 13 percent of people over 65 today are actively participating in the workforce, so how do we get from here to there as soon as we will need to be getting there, which is in the next decade or two? Right now, as you know, the mindset in this country is that pretty much when you are 65, with exceptions, you are expected and you look forward, to retirement. What we are suggesting here today is that that is not really where we need to be heading in this country. So what kinds of ideas and thoughts and policies do we need to be pursuing out there to change this mindset, both on the part of employers and employees?

Ms. BOVBJERG. I would suggest that we should move on a number of fronts. I do want to bring to your attention a recommendation that we made several years ago as part of some work we had done on this issue. In that work, we noticed that there are a number of Federal agencies that have roles in encouraging employment and working with employers, as well as addressing retirement rule issues, and we had recommended that the Department of Labor create a multi-agency task force to consider the barriers to older workers and the potential approaches in Federal policy, specifying what things can be done via regulation and what things would require statutory change, and to make recommendations.

They have not acted on this recommendation as of yet. I am still hopeful. Some Federal agencies are responding on their own. The Internal Revenue Service is considering regulation that would make it easier for people to partially retire by taking retirement benefits in part, not in full, so they could work part-time and continue to get part of their retirement. These are not yet final.

But I would suggest that because there are interactive effects, this is a policy area where we need to take a broader view than just within a single agency or only looking at ERISA rules, for example.

Senator KOHL. I think it is true and very important that we need to consider the financial aspects of this whole issue of retirement at age 65. Until we do, I would guess that we are going to have a hard time increasing the percentage of people who stay in the workforce. It has to make sense financially for them to stay in the workforce, which is what you are suggesting, and it is very true.

Ms. BOVBJERG. That is true, and I know that there is the hope that as we move through this demographic change, older workers will appear more attractive to employers as they begin to experience labor shortages. But there is, of course, no guarantee of that

and there may be a policy role for the Federal Government in encouraging more interest on the part of employers, more flexibility in the way that we ask employers to manage their retirement programs, and more incentives for workers.

Senator KOHL. Thank you. Mr. Smith?

The CHAIRMAN. Thank you, Senator.

Barbara, obviously, I think the statistics you have from GAO would say we will have a labor shortage in the future if everyone retires, and yet I am wondering if you are also seeing employers beginning to make changes to adjust to seniors transitioning from full employment perhaps to part-time or flex-time or are there things that you would recommend us to do legislatively.

Ms. BOVBJERG. There are employers out there who are being very creative. I think that you may have one of those employers speaking to you today in the next panel. When we looked at employers in our earlier work on this issue however we found that such creativity is rare, or certainly not widespread. Employers are reluctant to be more flexible about bringing people back after they retire because of the concern about some of the pension rules that might affect tax qualification of their pension plans.

We found more examples of this creativity among the public sector employers, where State and local governments, particularly school districts, were taking actions to try to bring workers back who had retired. For example, some government employers offered Defined Retirement Option Plans, or DROP plans where people can retire and then come back and work, and their retirement benefit is placed in an individual investment account for them while they are working. It is a complicated arrangement and is something that would be difficult to do within the confines of ERISA, and as you know, the State and local governments are not subject to ERISA.

I am trying to say that there are models out there and I think it is important for us to consider how they might fit into a broader policy for the Federal Government.

The CHAIRMAN. It is interesting. I think you have just identified for me, anyway, something that we may be able to do legislatively to give plans more flexibility so they don't lose their tax status, so that they can under defined benefit or defined contribution plans continue to allow people to work. So we will start putting something together, and any ideas that you have, we would certainly welcome those.

Ms. BOVBJERG. I would be happy to work with you on that.

Senator KOHL. Thank you, Senator Smith.

Senator Lincoln.

Senator Lincoln. First of all, I would like to thank my colleagues, the ranking member, Senator Kohl, and Chairman Smith, for holding this hearing. I think it is so important for us to look at ways to bring down the barriers that preclude our older citizens from being so actively involved in the workforce.

We know we have such changing demographics. We know that we will experience a large increase in the number of older Americans who want to remain in the workforce. With all kinds of medical technology, we know that people are living longer and they are living more productive and a better quality of life as they age.

I know from my own personal experience, my husband's grandmother, who is 107, and his father, who was a surgeon and worked pretty much up until he was about 71, I told my husband the other day, I said, "I hope your second wife is tall, skinny, and gorgeous, because with those genes, I know you will outlive me." But he said, "No, I still want to retire at 55." I said, no way. No way.

But we do have an issue here, I think, that has many aspects that we want to look at. One, and that is the ability to maintain the quality of life for these individuals, because without a doubt, I think anyone I know that is in the workforce over 65 will say that both the challenge and the mental stimulation is a huge part of maintaining their quality of life, both physically as well as mentally, in terms of really having that productive and that great quality of life that they feel like they have. So I think that is important.

I think the other important aspect for us to explore is what a tremendous advantage it is for those particularly younger people who are in the workforce. I know I grew up in a very small town within walking distance of both sets of my grandparents and they had a tremendous role to play in my life, whether it was life skills or life's lessons or helping me with what I was going through at such a young age.

I watched my children in a small public school here locally who get the benefit of several of the teachers' aides who are over 65, a retired head of the physics department who comes in and supplements the science program in the third grade. I mean, it is wonderful, not only what these people have to offer, but the way that they present it after a lifetime of experience in that field and what they share with the children in terms of building their confidence, giving them the kind of support that they need, as well as a background in what they can do with what they are learning, not that it is just something in a book that they have to learn, but where can they take that? Who can they become? What can they do with their lives?

So I think there are so many multiple benefits of looking into being able to provide the wherewithal for our aging community to stay in the workforce and to not only benefit themselves, but to bring a great benefit to those that surround them.

So I applaud our chairman and ranking member for bringing us to this point and having this discussion.

I guess I have got a couple of questions. I do represent quite a rural State, and I think if there is anything that you can lend to specific issues regarding opportunities for older workers that is unique to rural areas. I know transportation is one big challenge that we face in rural America, particularly for our elderly, in getting them places. But maybe there are other things that you all know that I am not as fully aware of.

Ms. BOVBJERG. Senator Lincoln, we have not done a rural-urban—comparison in our work on this topic, but in some related work that might be of interest, we looked at one-stop centers operated under the Workforce Investment Act. One-stop center provide employment and training services to workers, including older workers, and the big change when WIA became law was that under the prior law, State funding for older workers was separate, done com-

pletely separately from other workers, and WIA combines both the services and the funding for workers of all ages.

When we were looking at this to try to see if that made a difference in the kinds of services that older workers were receiving, one of the things we discovered is that the measurement of performance of these one-stop centers includes looking among other things, the rate of usage replacement for those the one-stops serve. If someone comes in unemployed and they want another job, what is their new wage compared to their old wage? This approach offers little incentive for one-stop to help someone who wants to partially retire, and so in our report we made a recommendation to the Department of Labor that they review performance measures, as well as other things out there in the one-stop centers that might disadvantage older workers who sign up for these services.

But we have also seen that older workers, in fact, disproportionately receive services at the one-stop centers, so the one-stops are likely very important to local activity and helping people work. I am not sure if there is a difference in rural versus urban however.

Senator Lincoln. Well, there usually is, because we have less resources oftentimes in rural areas to set up those kind of systems of one-stop, and sometimes they are harder to access for people that live out on a county road.

Ms. BOVBJERG. Yes.

Senator Lincoln. That is why I said the transportation, I know. It is a given. It is an issue and a challenge we face with everything in rural America. But there may be other things, and I will continue to try and explore that.

I know for a fact, visiting with so many of our elderly out in the rural communities, is that oftentimes the work that they have during their working years is more physical. We know that from the standpoint of the debates we have been having over the course of the last several weeks on Social Security. So they are more likely to get disability, because lots of times, their jobs are more strenuous, more physical, and there is a great need.

I heard from several of our groups in Arkansas and the AARP has a number of senior community service employment programs, and I know the AARP is going to be on the next panel, I believe, but just to give you an opportunity to respond, because you said that you had made several requests to the Department of Labor. I understand that the rules that govern the income in the latest Senior Community Service Employment Program Grants are keeping people who would have been eligible before from getting those services.

For instance, under prior rules, the Social Security disability benefits were excluded from their income. I know in Hot Springs, AR, where we have one of our larger groups of seniors, the SCSEP office in Hot Springs is prevented in helping the older Americans from getting the services they need to return to the workforce. Maybe you can comment on the new income guidelines. I don't know if your request to the Department of Labor—I think those guidelines came out in July 2004 from the Department of Labor, which were some pretty sweeping rule changes, I think that adversely affected a substantial number of older workers.

Ms. BOVBJERG. We have not done any work on that issue. I do a lot of GAO's Social Security related work and we are very concerned about helping disabled beneficiaries who can work return to work and have been watching how SAA's return to work initiative are going. We have not done any work on the grants as of yet.

Senator Lincoln. Well, if you have any input on that, we would certainly welcome your ideas on what is transpiring and how we solve that problem or how we mitigate some of the concerns that we are having in those offices out in our States of wanting to get some of these older workers back into the workforce, but seeing that, again, it becomes a disadvantage because, again, being able to provide the services and the assistance in rural areas does usually depend on the amount of resources they can find, whether it is through grants or what have you, and that is an important tool, particularly in rural America.

Mr. Chairman, I have used my time, but I am proud to be here and thank you and thank our panelists for being here.

Senator KOHL. Thank you, Senator Lincoln, and we thank you, Ms. Bovbjerg, for being with us today. Your testimony and your comments have been very useful.

Ms. BOVBJERG. Thank you very much.

Senator KOHL. We now turn to our third panel. Our first witness on this panel will be Ms. Kathryn Peterson, a medical and surgical transcriptionist for SSM Health Care's St. Mary's Hospital and Medical Center in Madison, WI. Ms. Peterson has been a transcriptionist there for 45 years and currently participates in SSM's phased retirement program.

We would also like to welcome Mr. Douglas Holbrook, who is the vice president and secretary/treasurer for the AARP Board of Directors. He serves as Chair of AARP's Board Audit and Finance Committee, as well as the Leadership Conference Planning Committee.

Also testifying on this panel will be Ms. Valerie Paganelli, a senior retirement consultant from Watson Wyatt Worldwide. Ms. Paganelli has 17 years' experience working with both public and private sector clients. She leads Watson Wyatt's consulting research on the topic of phased retirement and is a national leader and published author of articles related to retirement, workforce development, and phased retirement.

We have one additional panelist, who I will ask Senator Smith to introduce.

The CHAIRMAN. Laurie Barr will be our additional panelist. Laurie serves as the assistant director of Human Resources for the Oregon Health & Science University. We welcome you, Laurie. Oregon Health & Science University is Oregon's only academic health and science center. Laurie has been with OHSU for 4½ years. She has over 12 years of experience in a variety of human resources positions, including senior-level experience in several health care organizations. She holds a Bachelor's degree in business with an emphasis on human resources management, a Master's degree in organizational management, has been awarded a Senior Professional in Human Resources certification by the Society for Human Resources Management.

Thank you all for being here.

Senator KOHL. Ms. Peterson, would you like to make your statement, please?

STATEMENT OF KATHLYN PETERSON, MEDICAL AND SURGICAL TRANSCRIPTIONIST, SSM HEALTH CARE, MADISON, WI

Ms. PETERSON. Yes. Mr. Chairman and Senator Kohl, I am happy to be here today to share my insight on phased retirement. Good morning. My name is Kathlyn Peterson and I am excited to be here today to share my story of phased retirement.

When I was 50 years old, my husband and I moved to Madison, WI. Our children were grown, but I wasn't thinking about retirement. I had 30 years of experience as a medical and surgical transcriptionist and I wanted to work. So I interviewed with a hospital and a local clinic. But then I interviewed with St. Marys Hospital Medical Center, a member of SSM Health Care. St. Marys really impressed me with what they had to offer. They seemed to be excited to have me and wanted me to start right away.

Fifteen years later, I am 65 years old and still enjoy working for St. Marys. I have a permanent part-time position in medical records as a medical/surgical transcriptionist. I work on Monday, Tuesday, and every other Saturday morning. Often, the hospital is extremely busy, so I also volunteer to work additional days to help out.

I will be 66 in June, and my children often ask me, "Mom, when are you going to retire?" I don't really know. Maybe in a few years, maybe not. I am not in a hurry. I love where I work and I love what I do.

I know that there are other things that I could be doing at my age. I could volunteer, do things at home, act more, "retire." But working part-time keeps me active and healthy and I get to continue working in the job that I love.

At St. Marys, I can choose to work part-time and still receive my pension. This is very important to me. My father-in-law died unexpectedly of a heart attack when he was 58 without enjoying any of his retirement benefits. My mother died at 65 and didn't enjoy any of her retirement, either. Because St. Marys allows me to work part-time and still collect my pension, I am enjoying what I have worked so hard for right now.

So is my husband. He works part-time at St. Marys as a lab courier. He will be 70 in the fall and also collects his pension while working. As of this week, he is officially retired, but planned to start working on an as-needed basis. But that will have to be postponed until next week, because he is with me here today in Washington, sitting right over there.

In addition to the benefit of collecting my pension, I also enjoy full health insurance benefits at St. Marys. Employees only need to work 16 hours a week in order to receive full health benefits. Other facilities require at least 24, 32, even 40 hours per week. This benefit is especially valuable to me because I survived kidney cancer 13 years ago. My medical history would make it extremely expensive for me to purchase insurance independently. Because of my insurance coverage through the hospital, I do not need supplemental insurance.

In addition to pension and health benefits, I have found the hospital to be very flexible in their scheduling. If I can't work one of my regular days, I can switch to a day later in the week. Not all of my friends can say that. My friend, Jan, is a 66-year-old R.N. with a local physician group. It is hard for her to switch her days. Not only is her job not as flexible, she cannot draw her pension until she fully retires.

But perhaps the most important benefit is the personal satisfaction of knowing that I am making a difference. Experienced transcriptionists are hard to find and there are always new things to learn—names of new drugs, new terminology. It takes a while to become established. So I know that my contribution of 45 years of experience really helps the hospital.

But that is what older workers bring to the table. They bring experience. They are also dependable, reliable, and loyal.

St. Marys and SSM Health Care want the best employees, regardless of their age, so they bend over backwards to work with us. As older employees, we are given choices about our pension, hours, and medical benefits. It is a great environment. We feel valued and appreciated.

But it is not just the employees and the hospital who benefit from this relationship. Most importantly, it is the patients who benefit. Patients have the happiest, most experienced staff caring for them. That is why we are here, because our patients deserve the best.

I am proud of the exceptional care that we provide and the honors we have received, including becoming the first health care system to be recognized with the Malcolm Baldrige National Quality Award.

Thank you for allowing me to be here today to share my insight.
[The prepared statement of Kathlyn Peterson follows:]

Kathlyn Peterson
Senate Aging Committee Testimony
04.27.05

Good morning. My name is Kathlyn Peterson and I am excited to be here today to share my story of phased retirement.

When I was 50 years old, my husband and I moved to Madison, Wisconsin. Our children were grown, but I wasn't thinking about retirement. I had 30 years of experience as a medical and surgical transcriptionist and I wanted to work.

So I interviewed with a hospital and a local clinic. But then I interviewed with St. Marys Hospital Medical Center, a member of SSM Health Care. St. Marys really impressed me with what they had to offer. They seemed to be excited to have me and wanted me to start right away.

Fifteen years later, I am 65 years old and still enjoy working for St. Marys. I have a permanent, part-time position in Medical Records as a medical/surgical transcriptionist. I work on Monday, Tuesday, and every other Saturday. Often the hospital is extremely busy, so I also volunteer to work additional days to help out.

I will be 66 in June, and my children often ask me, "Mom, when are you going to retire?" I don't really know. Maybe in a few years. Maybe not. I'm not in a hurry. I love where I work, I love what I do.

I know that there are other things that I could be doing at my age: I could volunteer, do things at home, act more "retired." But working part-time keeps me active and healthy. And I get to continue working in the job that I love.

At St. Marys, I can choose to work part-time and still receive my pension. This is very important to me. My father-in-law died unexpectedly of a heart attack when he was 58 without enjoying any of his retirement benefits. My mother died at 65 and didn't enjoy any of hers either. Because St. Marys allows me to work part-time and still collect my pension, I am enjoying what I have worked so hard for – right now.

And so is my husband. He works part-time at St. Marys as a lab courier. He will be 70 in the fall and also collects his pension while working. As of this week, he is officially retired and planned to start working on an as-needed basis. But that will have to be postponed until next week because he is with me here in Washington today.

In addition to the benefit of collecting my pension, I also enjoy full health insurance benefits at St. Marys. Employees have to work 16 hours per week in

order to receive full health benefits. Other facilities require at least 24, 32, or even 40 hours per week.

This benefit is especially valuable to me because I survived kidney cancer 13 years ago. My medical history would make it extremely expensive for me to purchase insurance independently. And because of my insurance coverage through the hospital, I do not need supplemental insurance.

In addition to pension and health benefits, I have found the hospital to be very flexible in their scheduling. If I can't work on one of my regular days, I can switch to a day later in the week.

Not all of my friends can say that. My friend, Jan, is a 66-year old RN with a local physician group. It is hard for her to switch her days. Not only is her job not as flexible, she cannot draw her pension until she fully retires.

But perhaps the most important benefit is the personal satisfaction of knowing that I am making a difference. Experienced transcriptionists are hard to find and there are always new things to learn – names of new drugs, new terminology. It takes a while to become established. So I know that my contribution of 45 years of experience really helps the hospital.

But that's what older workers bring to the table. They bring experience. They are also dependable, reliable, and loyal.

St. Marys and SSM Health Care want the best employees, regardless of their age. So they bend over backwards to work with us.

As older employees, we are given choices about our pension, hours, and medical benefits. It's a great environment -- we feel valued and appreciated

But it's not just the employees and the hospital who benefit from this relationship. Most importantly, it's the patients who benefit. Patients have the happiest, most experienced staff caring for them. And that's why we're here: because our patients deserve the best.

I'm proud of the exceptional care that we provide and the honors we've received, including becoming the first health care system to be recognized with the Malcolm Baldrige National Quality Award.

Thank you for allowing me to be here today to share my insight.

Senator KOHL. Thank you, Ms. Peterson.
Ms. Barr.

STATEMENT OF LAURIE BARR, ASSISTANT DIRECTOR OF HUMAN RESOURCES, OREGON HEALTH AND SCIENCE UNIVERSITY, PORTLAND, OR

Ms. BARR. Good morning, Chairman Smith, Senator Kohl, and Senator Lincoln. My name is Laurie Barr and I am the assistant director of Human Resources for Oregon Health & Science University. Thank you for the opportunity to be here before this committee to discuss OHSU's best practices for employing older workers.

Oregon Health & Science University is the State's only health and research university and only academic health center. We have four distinct missions of patient care, teaching, research, and community outreach. As one of the State's largest employers, our workforce is comprised of more than 11,000 employees.

OHSU is proud of its commitment to a diversified workforce, including diversity in age. We recognize that the wisdom and experience older generation workers bring to our organization is invaluable. As an institution of learning, we rely on our long-term employees to provide historical insight and information to many other workers at OHSU and they benefit greatly from the wealth of experience our older workers possess.

There are three best practices that I would like to highlight for you today. The first is flexible work arrangements. The size of our workforce combined with a wide variety of jobs and required skill sets allows for flexible work arrangements that many smaller organizations may not be able to accommodate. There are many job opportunities at OHSU that are part-time or on-call, allowing for a variety of work schedules that meet individual needs.

In addition, some older OHSU workers ready to move into the retirement stage of their lives may have the opportunity to ease into it. We have quite a few long-term employees that have gradually cut back schedules over the course of several years. This slow transition benefits both the employee and the employer by keeping experienced workers on staff and allowing them to move toward retirement more gradually than in many organizations.

As you know, our country is experiencing a shortage in many health care occupations, and OHSU is no exception to that. Therefore, it is critical that we retain our health care workers. Many health care jobs are very physically demanding, which for an older worker can be problematic. At OHSU, there are other options in those situations. An older nurse, for example, who may not be able to continue to keep up with the physical demands of inpatient nursing may have other full- or part-time opportunities at OHSU to continue to use his or her nursing skills. That could mean moving to a slightly less demanding outpatient nursing position or something in nursing education, telephone triage, case management, or quality review, for example.

As an employer, allowing for flexible work arrangements means better retention of older workers.

The second is our generous retirement plan. A substantial benefit for older workers at OHSU is the retirement plan. OHSU con-

tributes up to 12 percent of an employee's annual income into a retirement plan upon eligibility. OHSU offers two retirement plan options, a defined benefit plan and a defined contribution plan. For the University Pension Plan, which is our defined contribution plan, once workers reach the age of 50, they become 100 percent vested in their retirement contributions regardless of their length of service. OHSU also offers two voluntary savings programs to help employees supplement their retirement plan and Social Security benefits.

These benefits are not only powerful recruitment tools in attracting new older workers to OHSU, they serve us in our retention efforts, as well. A stable, substantial pension provides these employees with an additional sense of financial security as they move closer to their retirement years.

The third item is shared knowledge of older workers. Almost 30 percent of OHSU's current workforce is comprised of workers age 50 or older. I am particularly pleased to report to you that currently, 11 of our employees are over the age of 80, and two of those are over 90 years old. Most of these individuals are working on a part-time basis, although three of them, believe it or not, are still full-time. This demonstrates a huge commitment to their work and to OHSU.

Nine of these 11 individuals serve in professor or adjunct professor positions and several of them continue to do research. Well past traditional retirement age, these individuals continue to share their knowledge with future doctors, nurses, and scientists. OHSU is proud to have them as continuing productive members of our workforce.

In conclusion, as a society, we must be more creative about accommodating older workers, especially as the baby boom generation begins to think about retirement. More employers need to step forward and take proactive steps to assist older workers in the workplace. Retirement isn't what it used to be, and as an employer, OHSU recognizes this. We value the contributions, experience, and wisdom of our older workers. We truly hope that in the future, more and more employees will continue to work past their normal retirement date. It is good for us and it is good for them.

Thank you for inviting us to testify today.

[The prepared statement of Laurie Barr follows:]

**Testimony of Laurie Barr, SPHR
Before
The Special Committee on Aging
United States Senate
April 27, 2005**

Best Practices in Retention of Older Workers

Good morning Chairman Smith, Senator Kohl and distinguished members of the Committee. My name is Laurie Barr and I am the Assistant Director of Human Resources for Oregon Health & Science University. Thank you for the opportunity to appear before this committee to discuss OHSU's best practices for retaining older workers.

Oregon Health & Science University is the state's only health and research university, and only academic health center. We have four distinct missions of patient care, teaching, research and community outreach. As one of the state's largest employers, our workforce is comprised of more than 11,000 employees.

OHSU is proud of its commitment to a diversified workforce, including diversity in age. We recognize that the wisdom and experience older generation workers bring to our organization is invaluable. As an institution of learning, we rely on our long-term employees to provide historical insight and information to many other workers at OHSU, and they benefit greatly from the wealth of experience our older workers possess.

There are three best practices that I would like to highlight today:

1. Flexible Work Arrangements

The size of our workforce, combined with a wide variety of jobs and required skill sets, allow for flexible work arrangements that smaller organizations may not be able to accommodate. There are many job opportunities at OHSU that are part-time or on-call, allowing for a variety of work schedules that meet individual needs.

In addition, some older OHSU workers ready to move into the retirement stage of their lives may have the opportunity to ease into it. We have quite a few long-term employees that have gradually cut back schedules over the course of several years. This slow transition benefits both the employee and the employer by keeping experienced workers on staff and allowing them to move toward retirement more gradually than in many organizations.

As you know, our country is experiencing a shortage in many healthcare occupations, and OHSU is no exception. Therefore, it is critical that we retain our healthcare workers. Many health care jobs are very physically demanding, which for an older worker, can be problematic. At OHSU, there are other options in those situations. An older nurse, for example, who may not be able to continue to keep up with the physical demands of inpatient nursing may have other full or part time opportunities at OHSU to continue using his or her nursing skills. That

could mean moving to a slightly less demanding outpatient nursing position or something in nursing education, telephone triage, case management or quality review, for example.

As an employer, allowing for flexible work arrangements means better retention of older workers.

2. Generous Retirement Plan

A substantial benefit for older workers at OHSU is our generous retirement plan. OHSU contributes up to 12% of an employee's annual income into a retirement plan, upon eligibility. OHSU offers two retirement plan options – a defined benefit plan and a defined contribution plan. For the University Pension Plan, which is a defined contribution plan, once workers reach the age of 50, they become 100% vested in retirement contributions regardless of their length of service. OHSU also offers two voluntary savings programs to help employees supplement their retirement plan and social security benefits.

These benefits are not only powerful recruitment tools in attracting new, older workers to OHSU, they serve us in our retention efforts as well. A stable, substantial pension provides these employees with an additional sense of financial security as they move closer to their retirement years.

3. Shared Knowledge of Older Workers

Almost 30% of OHSU's current workforce is comprised of workers age 50 or older. I am particularly pleased to report to you that currently eleven of our employees are over the age of 80, and two of those are more than 90 years old. Most of these individuals are working on a part-time basis, although three of them, believe it or not, are still working full-time. This demonstrates a huge commitment to their work and to OHSU. Nine of these eleven individuals serve in Professor or Adjunct Professor positions and several of them continue to do research. Well past traditional retirement age, these individuals continue to share their knowledge with future doctors, nurses and scientists. OHSU is proud to have them as continuing, productive members of our workforce.

Conclusion

As a society, we must be more creative about accommodating older workers, especially as the baby boom generation begins to think about retirement. More employers need to step forward and take proactive steps to assist older workers in the workplace. Retirement isn't what it used to be and, as an employer, OHSU recognizes this. We value the contributions, experience and wisdom of our older workers. We truly hope that in the future more and more employees will continue to work past their normal retirement date. It's good for us and good for them.

Thank you for inviting us to testify today.

Senator KOHL. Thank you very much. Mr. Holbrook.

**STATEMENT OF DOUGLAS HOLBROOK, VICE PRESIDENT AND
SECRETARY/TREASURER, AARP BOARD OF DIRECTORS,
WASHINGTON, DC**

Mr. HOLBROOK. Mr. Chairman and Senator Kohl, I am Doug Holbrook, a member of AARP's Board of Directors. I would like to thank you for convening this hearing to highlight the issues facing older workers.

AARP is the largest organization representing the interests of Americans age 50 and older and their families. About half of AARP's members are working either full-time or part-time. All of our working members, as well as those who want to work, have a vital interest in being able to remain on the job and to contribute to society without facing age discrimination.

Protecting and expanding the rights and opportunities for older workers was a founding principle of AARP. We work to improve employment conditions and policies for all workers through our legislative and regulatory advocacy. Through AARP's program initiatives, we collaborate with employers to increase job opportunities for those age 55 and over and we conduct research to help answer the need for knowledge about how work issues affect employees and employers and the workplace.

AARP advocates for improvements in the Workplace Investment Act of 1998. Specifically, we have urged inclusion of target training requirements to serve currently employed older workers, ensure that one-stop centers have adequate staff and equipment, help employers prepare for an older workforce, and encourage education and training for older workers.

Other efforts center on phased retirement. Phased retirement programs could ease the projected labor shortage as well as expand work options for older workers. Employers could benefit from programs that help retain experienced workers.

AARP recently commented on proposed IRS regulations that would allow defined benefit pensions to pay partial retirement to eligible employees to reduce their work schedules. AARP also released a survey, "Attitudes of Individuals 50 and Older Toward Phased Retirement" in March. The survey gauged attitudes to phased retirement. Nineteen percent of the respondents have heard the term "phased retirement" and of those, nearly 38 percent said they would be interested in participating in such a program. Of interested workers, 78 percent expected that phased retirement would motivate them to work past their expected retirement. Forty-six percent of interested workers said they would like to start phased retirement between the ages of 60 and 64, and 53 percent of employees would like to work 12 fewer hours, on average, if offered phased retirement.

AARP believes that barriers to implementing phased retirement programs should be eliminated. However, these programs must be designed to protect workers' benefits and preserve their long-term retirement security while recognizing the legitimate needs of employers. Businesses will need to do more to attract and retain older workers and help ease likely future labor shortages.

Five years ago, AARP established an annual award program to recognize employers who already had innovative practices, AARP's "Best Employers For Workers Over 50". These employers have formal and informal arrangements that allow older workers flexibility, such as job sharing and compressed work weeks. AARP's "Best Employers For Workers Over 50" continues to increase in visibility. Follow-up activities include reports, "Staying Ahead of the Curve 2004," a compilation of best practices among 2002-2004 winners; a national conference that will center on business solutions for an aging society; and a report that will address the value workers 45 and older bring to American business.

AARP's Workforce Initiative is a program targeted to both employer and employees. It grew out of a partnership between AARP and Home Depot to attract and retain mature workers. The featured employer portion of the initiative builds on the partnership by educating businesses on the value of their existing older workforce and recruiting mature workers.

Last year, AARP released a survey to the 1998 "Baby Boomers Envision Their Retirement." AARP looked at how this massive generation has progressed in planning for retirement. Similar to the 1998 survey's, 80 percent, 79 percent of boomers plan to work in some capacity during the retirement years. Thirty percent of the boomers plan to work for enjoyment, while 25 percent plan to work for the income.

In answer to the anticipated growth of the aging population as well as greater demand for older workers, AARP has taken on the challenge of helping to create solutions to meet the needs of the workforce and older employees. What we have seen is that employers are interested in learning about and implementing policies that attract older workers. Employers who adapt their workplace will likely find themselves better positioned to harvest the benefits of a potential resource.

Congress' challenge is to establish policies that recognize the innovation of employers who have successfully attracted older employees to work for them. Legislation to make job training programs more inclusive and to expand phased retirement are two good examples. Understanding the needs of older workers will help Congress develop answers to create a workplace of choice for them.

Mr. Chairman, I would ask that our written testimony be included in the record.

Senator KOHL. Without objection. Thank you.
[The prepared statement of Mr. Holbrook follows:]

Mr. Chairman and members of the Committee, I am Douglas Holbrook, a member of AARP's Board of Directors. Thank you for convening this hearing to explore policies and programs to foster longer workforce participation by a valuable resource - older employees.

AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We produce AARP The Magazine, the AARP Bulletin, AARP Segunda Juventud, NRTA Live & Learn, and provide information via our website, www.aarp.org. AARP publications reach more households than any other publication in the United States. The AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

AARP advocates for policies that enhance and protect the economic security of individuals as they move from work to retirement. Through its research, publications, advocacy, and training programs, AARP seeks to eliminate ageist stereotypes; encourage employers to hire and retain older workers; and help older workers overcome obstacles in the workplace. This is important to AARP because approximately 45 percent of our more than 35 million members are employed. AARP is working on many fronts to promote employment for older persons as well as to address the challenges and opportunities for employees and employers in the workplace.

I. Advocacy

AARP has long been a leader in advocacy efforts to expand and protect older workers' rights both on the legislative and regulatory fronts. AARP advocates for the elimination of age discrimination in employment; promotes policies that provide for expanded work opportunities; and advocates for fair terms and

conditions of employment as well as for adequate benefits, including pensions and retiree health coverage.

Recent efforts include advocating for legislative changes to employment placement and training programs to include more older workers and respond to their needs. AARP has pursued improvements in the Workforce Investment Act (WIA) of 1998 in a number of areas. Specifically, we have urged inclusion in the reauthorization of provisions that would:

- Target training requirements to serve currently employed older workers
- Ensure that One-Stop Centers have adequate staff and equipment to assess and serve the needs of older workers
- Help employers prepare for an older workforce, and
- Encourage public and private sector entities to promote workforce skill-building and continuing education to older workers.

Other efforts have centered on phased retirement. AARP believes that the goal of a phased retirement program is to encourage older employees nearing retirement to remain contributing members of the labor force beyond the time they otherwise plan to work. Phased retirement programs could ease the projected labor shortage and boost the economy through longer workforce participation by experienced employees. This approach could also expand work options for older workers, as well as allow them to ease into retirement before completely exiting the labor force. Employers would benefit from phased retirement programs that help retain hard-to-replace, experienced workers, especially if anticipated labor shortages materialize.

As part of its work on phased retirement, AARP recently commented on proposed regulations by the Internal Revenue Service that would allow traditional defined benefit pensions to pay partial benefits to employees eligible for retirement who reduce the number of hours on the job by at least 20 percent. If made final, the proposed regulations would represent an important step toward

allowing one type of phased retirement - a cutback on work and partial pension payments – while protecting retirement income security and the integrity of the private pension system.

In addition to commenting on the proposed regulations, AARP released a survey, “Attitudes of Individuals 50 and Older Toward Phased Retirement” in March. The survey was designed to gauge reactions to the concept of phased retirement as well as determine the extent to which it would encourage workers near traditional retirement age to remain in the workforce longer than they otherwise planned. It includes respondents who are currently working as well as those who are retired. Although only about one in five (19%) respondents had heard of the term “phased retirement” before the survey, nearly two in five (38%) said they would be interested in participating in such program once they learn about it. Of workers who specifically expressed interest in phased retirement, 78% expect that the availability of such a plan would encourage them to work past their expected retirement age. Nearly half (46%) of workers interested in phased retirement said that they would like to start participation between the ages of 60 and 64. When workers who expressed interest in phased retirement were asked how many fewer hours they would prefer to work, 53% would like to reduce their weekly schedule by at least 12 hours and 39% would like to reduce it by 10 or fewer hours.

AARP supports the development and implementation of work options, including phased retirement programs, that would expand employment opportunities for older men and women who want to work. AARP believes that barriers to the acceptance and implementation of phased retirement programs should be eliminated. However, phased retirement programs must be designed to protect workers' benefits and preserve the long-term retirement security of workers who choose this option while recognizing the legitimate needs of employers.

II. Programs

Some employers are innovative in addressing the challenges and opportunities of an aging workforce. By implementing programs to attract and retain older workers today, companies also position themselves to respond to future needs. AARP Best Employers for Workers Over 50 Program annually honors companies and organizations whose practices and policies address the needs of an aging workforce. A variety of factors are considered in selecting winners including:

- an employer's recruiting practices;
- opportunities for training, education, and career development;
- workplace accommodations;
- alternative work options, such as flexible scheduling;
- health and pension benefits; and,
- the age of the workforce.

Best employers are those that:

- Place an emphasis on the attraction and retention of the right workforce. This is particularly relevant for industries that are currently experiencing labor shortages such as healthcare, utilities, education, and engineering.
- Offer programs to support the maturing workforce.
- Show appreciation for longer service, recognize mature worker issues, and support family care needs.
- Sponsor formal or informal arrangements allowing long-tenured and older employees to reduce work hours without jeopardizing their benefits.
- Emphasize career-long training.

AARP Best Employers for Workers Over 50 continues to increase its visibility and value in the business community. In 2004, AARP compiled the best practices among our 2002-2004 winners in a report called, "Staying Ahead of the Curve 2004." This compendium has gained national attention, resulting in major trade associations including best practices in their national conference agenda. The Best Employers program has also received much media attention. We have found that repeat applicants have added additional employee benefits as a result of reviewing the "feedback reports" that are sent to them after final results are tabulated. These changes include additional flexible work schedules, more training opportunities, and recruiting retirees to fill temporary assignments.

In order to further address the aging of the workforce, AARP has established a national conference that will address business solutions for an aging society. The conference will showcase employers who have successfully adopted policies and practices for a mature workforce addressing the "business case" for why a company should dedicate the time and resources to this issue. We have invited participants that represent various interests in this issue including opinion leaders, policymakers, academia, business, government, advertisers, and executives.

AARP will issue a report this fall addressing the value workers age 45 and older bring to American business. This study will be the first of its kind to provide cost comparisons of hiring/retaining an age 50 and older worker versus someone younger in the areas of health, productivity, training, flexible work arrangements, turnover, and other factors. This resource is intended to help business focus on long-range planning to determine their workforce needs, where there will be gaps in the labor force, and how these gaps will be addressed.

AARP will focus more attention on assisting individual industries with their labor force issues. We recognize that different industries have needs and challenges that are unique. We have engaged in conversations with national trade associations who are interested in partnering with AARP to establish industry-specific forums across the country.

AARP's Workforce Initiative grew out of the partnership between the AARP Foundation and Home Depot to attract and retain mature workers. The initiative builds on the partnership's work - educating businesses on the value of retaining their existing older workforce and recruiting mature workers, and delivering much needed resources, information, and employment opportunities to workers age 50 and older to help them remain on the job. The Featured Employers portion of the program helps companies develop and execute strategies to effectively recruit, retain and manage an older workforce.

III. Research

Boomer retirement survey. Last year AARP released a follow up survey to the 1998 "Baby Boomers Envision Their Retirement." AARP undertook to discover how the Boomer generation has progressed in planning for retirement. Seventy-nine percent of Boomers surveyed said they plan to work in some capacity during their retirement years. Thirty percent of Boomers surveyed for the 2004 report plan to work for enjoyment while 25% plan to work for the income. When it comes to preparing for their retirement, 61% of Boomers were confident in their ability to do so, while only 39% agreed that Boomers were saving more for retirement than the previous generation. Five years closer to retirement in the 2004 survey, Boomers report that 70% of them contributed to IRAs, 401(k)s and other retirement savings accounts, and 69% were satisfied with the amount of money they were setting aside for retirement.

Self-Employment. In 2004, AARP published a substantial study of the older self-employed population. While it was well-known that older workers are more likely to be self-employed than their younger counterparts, considerably less was known about workers who became self-employed later in life compared to those who had been self-employed for much or all of their lives. This study, conducted for AARP by RAND, found that nearly one-third of older self-employed workers made the transition to self-employment at or after age 50. A follow-up study underway is examining the nature of the work of older self-employed workers and the transition in and out of self-employment at ages 50 and above. It is also looking at the wealth accumulation of the self-employed, the type of assets in which wealth is held, the distribution of wealth across these assets and the consequences of shifts to self-employment for retirement assets.

Older Worker Training. In a global economy with rapidly changing technology, workers of all ages must keep their skills up to date in order to remain competitive. Older workers are at particular risk of skills obsolescence as they tend to be underrepresented in employer-provided training programs. "Older Worker Training—What We Know and Don't Know" examines older workers and training/retraining. It is focusing on

- The ability to learn at older ages;
- Learning variability within the older population;
- Knowledge about on-the-job training vs. training in experimental settings;
- Training for 21st century skills (i.e., the relevance of research on training to jobs older workers might be interested in today);
- The impact of the "healthy worker" phenomenon on training success;
- Age comparisons in the length of time it takes to learn new skills; and
- Whether successful training techniques vary by age.

International Comparisons. "Rethinking the Role of Older Workers: Promoting Older Worker Employment in Europe and Japan" reviews older worker employment and retirement trends. It also examines efforts to promote older worker employment in the European Union, Japan, and the United States in light of demographic pressures on public pension systems.

Keeping Abreast of American Trends. "Update on the Older Worker" annually assesses the employment status of workers aged 55 and over. In recent years, their numbers and participation rates have been rising. Nonetheless, if they become unemployed, older workers continue to face formidable barriers in finding work. AARP is also examining the characteristics of individuals who return to work after a spell of retirement.

IV. Global Efforts

AARP is also working to facilitate international understanding and dialogue around the global aging agenda. Efforts are focused on the issues of pensions, labor markets, age discrimination, health care, and long-term care.

AARP helped launch the Organisation for Economic Co-operation and Development's (OECD) study, "Ageing and Employment Policies: United States." The study looks at both work incentives and barriers to employment facing older workers. A unique feature of the study is its placement of older workers within an international context.

Also, AARP will co-host a summit with the United Kingdom's Department of Work and Pensions on a range of retirement issues in July. A second retirement income event is scheduled for July as well, entitled, "Reinventing Retirement: Balancing Risk." The conference centers on comparing various retirement

security models used in other countries to encourage public debate about retirement income security reform.

Conclusion

In answer to the anticipated growth of the aging population, as well as greater demand for older workers, AARP has taken on the challenge of helping to create solutions to meet the needs of the workforce and older employees. What we have seen is that employers are interested in learning about and implementing policies that attract older workers and create a supportive work environment for them. And, employers who adapt their workplace will likely find themselves better positioned to harvest the benefits of this potential resource.

Congress' challenge is to establish policies that recognize and complement the innovations of employers who have successfully attracted older employees. Legislation to make job training programs more inclusive and to expand phased retirement are two good examples. Understanding the needs of older workers will help Congress develop answers to create a workplace of choice for older workers.

Senator KOHL. Ms. Paganelli.

STATEMENT OF VALERIE PAGANELLI, SENIOR RETIREMENT CONSULTANT, WATSON WYATT WORLDWIDE, SEATTLE, WA

Ms. PAGANELLI. Good morning, Mr. Chairman and distinguished committee members. I am happy to be here and pleased that we were invited to participate in the testimony today.

My name is Valerie Paganelli and I am a senior retirement consultant with Watson Wyatt Worldwide, a global human capital consulting firm that is grounded in the most extensive research in our business, including phased retirement. We believe phased retirement programs can encourage older workers to remain in the work-force longer.

Employers face varying levels of urgency around the need to extend the working years of their older workers. They have a desire to engage and retain older workers who contribute to ongoing business success. Many employers are considering alternate approaches to traditional retirement. However, implementation of formal phased retirement programs pose considerable challenges and risks. As a result, phased retirement is currently primarily shaped by individuals who retire from one organization and return to work for another organization, or who rejoin their pension-paying employer on a consulting or contract basis.

Nearly one-fourth of current phased retirees expect to work past age 65. Another 20 percent expect to work indefinitely. One-third of surveyed workers over age 50 are willing to work longer, and voluntary phased retirees are nearly four times more likely to continue working with their current employer if offered informal phased retirement programs and other work life benefits. Informal programs include flexible work arrangements, reduced work hours, less job responsibility, and the opportunity to try something new.

In particular, women may extend their careers by 21 months when phased retirement arrangements are available, and men may extend their careers by 8 months when elder care services are available. Yet only 40 percent of employers currently offer flexible work arrangements. Only 27 percent offer elder care services. Only 16 percent offer phased retirement.

Continued wages from active employment will become more and more important for individual financial security. A modest 28 percent of voluntary phasers are in need of the added income; but for unplanned phasers, this percentage increases to 50 percent. Thirty-eight percent who voluntarily left their career employer are receiving a monthly pension.

The Social Security debate, escalating medical care costs, the reduction of workers covered by defined benefit pension plans, and the potentially less than adequate savings patterns in the U.S. make for unstable financial resource for many individuals.

That said, enjoyment is currently the most common reason voluntary phasers continue to work today, indicated by 42 percent of those surveyed. Phasers who work primarily for enjoyment are more likely to experience higher job satisfaction, enjoy good health, and receive higher pay raises than their peers.

The availability of more formal phased retirement programs involving pension and health care benefits is limited. One significant

barrier that has been mentioned today is the restriction to pay pension benefits to actively working employees prior to their normal retirement age. The IRS recently proposed new guidance that would change this rule. However, as currently drafted, very few employers are likely to adopt them because they lack flexibility and involve significant administrative burdens.

Today, the availability of retiree health benefits may have the most influence on individual retirement decisions. One study demonstrated that a near 70 percent increase in the propensity for early retirement when retiree health benefits were provided. Rising medical benefit expenses have prompted most employers to scale back or alter the delivery of these benefits, leaving many individuals burdened with financing their own health care costs and necessitating continued employment.

Despite these and other barriers, many employers are actively exploring phased retirement arrangements. They are doing so by rehiring their own bona fide retirees as part-time employees or independent contractors. They are targeting their recruiting efforts at the retiree ranks in the labor market. They are reviewing their existing benefit programs to make them more phased retirement friendly. They are using direct compensation and incentives, health care subsidies, and work life benefits. They are diligently quantifying the costs of retaining retirement-eligible workers as compared to recruiting a dwindling supply of replacement workers. Deep-rooted in the organization, they are adapting their organizational culture, succession planning, and training to support a more broad-based phased retirement program in the future.

We would like to persuade policymakers such as you to encourage the ongoing collaboration of appropriate governmental entities. We would like you to endorse defined benefit plans and provide for phased retirement distributions. We would like you to help establish a framework for Americans to understand and practice successful financial planning and to continue conversations with employers, employees, and their representatives.

In closing, Watson Wyatt believes the United States faces unprecedented retirement policy questions and that it is imperative for our nation to allow for the flexible unfolding of alternative profiles of retirement. Watson Wyatt also welcomes the continued opportunity to contribute to your discussions.

We thank you for holding this hearing today. I am pleased to have gotten my mitt signed by Mr. Robinson for future use, and am happy to address any questions you may have.

Senator KOHL. Thank you for your statement.

[The prepared statement of Ms. Paganelli follows:]



Special Committee on Aging
United States Senate

Hearing for

*Living Stronger, Earning Longer:
Redefining Retirement
in the 21st Century Workplace*

Testimony Prepared by

Valerie Paganelli, EA, FSA, MAAA
Senior Retirement Consultant
Watson Wyatt

Wednesday, April 27, 2005 at 10 a.m.
Room G-50, Dirksen Senate Office Building

Chairman Smith, Ranking Member Kohl and distinguished committee members, thank you for the opportunity to testify on "Redefining Retirement in the 21st Century Workplace." My name is Valerie Paganelli, and I am a senior retirement consultant for Watson Wyatt Worldwide. Watson Wyatt is a global human capital consulting firm. We are a major provider of actuarial and consulting services to retirement plan sponsors in the United States and around the world. Our consulting is grounded in the most extensive research in the business. As a firm, we have long been engaged in research concerning the changing demographics of the U.S. labor force in general and phased retirement in particular. We appreciate the opportunity to provide our perspective on phased retirement with you today.

General Comments

Employers face varying levels of urgency around extending the working years of their employees up to and beyond what has been regarded as Normal Retirement Age (i.e., age 62 to 67). The level of such urgency is governed by a number of factors: industry of operations, the critical skill sets that drive the business and create competitive advantage, the geographies in which the business operates, the current and projected demand for specific goods and services, the current demographic landscape and retirement financial preparedness of the employee population, and the underlying culture of the organization. When it comes to phased retirement programs, those companies with moderate to high urgency are challenged to formulate an alternative approach to traditional retirement programs and patterns that meet the day-to-day needs of both their business and their employees. There is generally a strong desire among employers to retain and engage employees who continue to contribute to the ongoing success of the business.

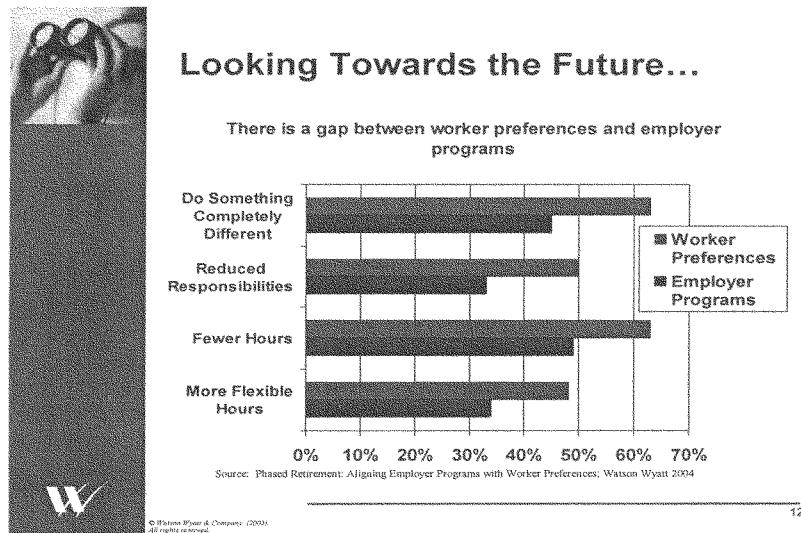
Many employers are at an interesting workforce management crossroads: the dire need to keep some retirement-eligible employees while allowing others to exit through intended patterns supported by existing retirement programs (including temporary voluntary early retirement programs). The opportunity for flexible and targeted retention of only a portion of the retirement-eligible population poses significant employer challenges and risks. Employers would also like to know there is the opportunity to provide a level playing field such that employees can be allowed to stay put with their current employer in the same way as if they left to work somewhere else. The current legal framework for qualified retirement plans and general employment laws preclude employers from providing such a playing field.

Employers wishing to retain their older, more experienced workers are actively exploring strategies to encourage these workers to phase rather than retire completely. This will alleviate some of the pressure that the coming labor shortage is likely to create. It will also help employers avoid losing skilled and experienced workers to competitors and other employers that offer phased retirement options. However, a number of legislative and regulatory obstacles currently stand in the way of formal broad-based phased retirement programs.

Phased retirement thus far has been predominantly driven by employees who retire from one organization and return to work for another organization or return to their pension-paying employer on a consulting or contract basis. One-third of surveyed workers over age 50 are willing to work longer with their current employer if they are offered informal phased retirement programs such as flexible work arrangements, reduced working hours and/or less job responsibility, and the opportunity to try something new. And nearly one-fourth of older workers currently phasing into retirement expect to work past age 65, while another 20 percent do not plan to retire at all. The clear implication is that phased retirement programs can support older workers to remain in the workforce and increase the supply of experienced workers over the coming decades.

Phased Retirement Incentives

Despite clear interest in phased retirement by both employers and employees, sizable gaps exist between the types of programs workers want in order to phase into retirement with their career employer and what employers currently allow in terms of such opportunities.



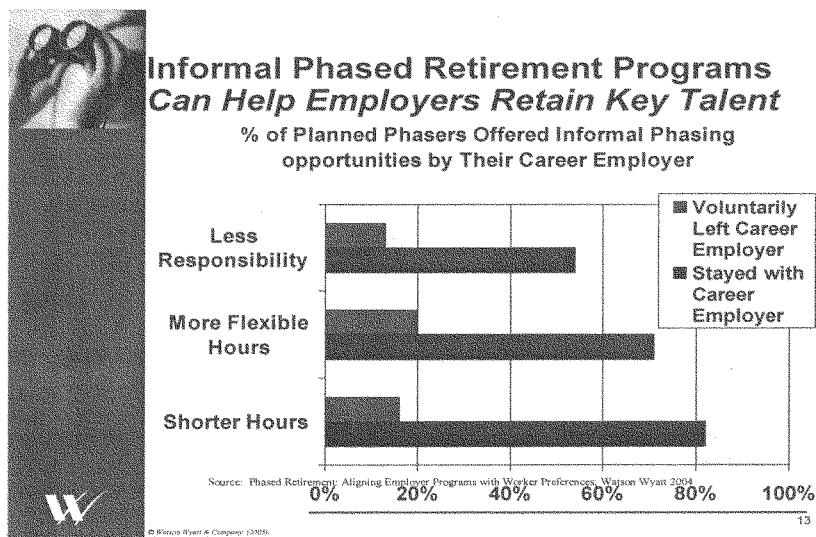
12

A variety of incentives exist to keep older workers engaged in the workforce. From a financial perspective, phasing can provide more income than full retirement at the same age and enables retirees to stretch savings over a life that is expected to be longer than that of earlier generations. A typical male worker today is projected to spend five more years in retirement than the worker of 40 years ago.

Of recently surveyed voluntary phasers (57% of all phasers), 28% indicate income needs as the reason for their phased retirement. For unplanned phasers, this percentage increases to 40%-58%. Thirty-eight percent who voluntarily left their career employer are receiving a monthly pension. The traditional three-legged stool of retirement income made up of Social Security, employer pension and personal savings is no longer the appropriate financial planning framework for future retirees. The unsettled debate on Social Security, escalating cost of medical care, reduction of workers covered by defined benefit pension plans, and the potentially less-than-adequate savings patterns in the US make for an unstable financial retirement stool for many individuals. Phased retirement and the role of continued wages from active employment will become more and more necessary as an added dimension to "rest-of-life" financial planning.

But extra income is often not the reason people chose to "work in retirement." The most common reason for continuing to work among those currently in voluntary phased retirement is enjoyment, indicated by 42% of surveyed voluntary phasers. These phasers who work primarily for enjoyment are more likely to experience higher job satisfaction, enjoy good health and receive higher pay raises than their peers and thus are likely more productive.

Phased retirement programs and access to other benefits meaningful to an aging workforce can encourage older workers to continue working. Voluntary phasers are much more apt to stay working for their career employer if informal phased retirement arrangements are available. In particular women are shown to extend their careers by up to 21 months when phased retirement arrangements are available and men are shown to extend their careers by eight months when eldercare services are available. When last surveyed, anywhere from 16% to 40% of employers offer phased retirement or generally available flexible work arrangements and only 27% of employers provide for eldercare services.



A combination of financial and regulatory obstacles forces many workers to abandon their career employers and seek phased retirement elsewhere. Nearly one-third of those who left their career employer and found new jobs are performing similar work. If phasers working less than full time cannot take advantage of qualified pension or other employee benefits while continuing to work with their current employer, they may need to switch employers in order to maintain an appropriate standard of living.

Phased Retirement Obstacles

The main reason for limited availability of phased retirement programs is the variety of federal rules that generally preclude the use of qualified retirement plans, especially pension plans, to partially fund a phased retirement arrangement.

Two significant types of employer-sponsored benefit plans affect an employee's retirement decision: qualified retirement plans (pension or §401(k) plans) and health and welfare plans. It is important to note the tax laws and preferences for these two types of plans are very different. Qualified retirement plans are funded over an employee's working career in order to substantially, if not completely, pre-fund the individual retirement benefit. Several tax advantages are built into the tax laws to encourage employers' sponsorship and pre-funding of retirement income benefits. In contrast,

retiree health plans cannot be more than nominally pre-funded during the employee's active working years; else the employer faces adverse tax consequences. As a result, pay-as-you-go funding is the predominant funding method for retiree health benefits.

As an early retirement incentive, traditional retiree health benefit plans were very successful. One study demonstrated that providing such benefits resulted in an almost 70 percent increase in employees' propensity to take early retirement. Many employers who have offered temporary voluntary early retirement programs have discovered that the presence of retiree health benefit coverage may be the singularly most important element in encouraging workers' early retirement.

While employers' health care costs for active employees have grown dramatically in the last several years, the additional expense associated with retiree health benefits looms large and has caused many employers to limit their post-retirement health care obligation to employees. This leaves many employees with the additional financial burden of providing for their own health care needs in retirement and may require continued employment to bridge access to Medicare coverage starting at age 65.

Our retirement system in the United States has been very dynamic during its evolution, responding to the conditions, needs and protections of employers and workers over the decades. As the system has evolved, however, a substantial body of regulations has grown up around it to control the operation of retirement plans. The net effect of these regulations has been to limit the flexibility of the pension system. As the labor markets continue to change because of forces outside the control of the regulatory environment, pension regulations must be adapted to meet future needs; otherwise we limit the continued utility of pensions and may fuel adverse macroeconomic effects as well.

One of the most significant barriers to formal broad-based phased retirement arrangements is the prohibition against pension distributions to actively working employees who have not attained normal retirement age. The foundation of the restriction is the regulatory definition of a pension plan as providing for the payment of benefits "after retirement." This requirement has resulted in a restriction against pension plans distributing benefits to participants prior to severance of employment or attainment of normal retirement age. The IRS has recently proposed new guidance that would change this rule and permit certain phased retirement distributions, but would impose significant administrative burdens and limited flexibility such that very few employers have expressed interest in providing such a benefit to older workers.

Employer Actions

Despite the lack of existing facilitating legislation related to qualified pension plan distributions, many employers are actively exploring phased retirement arrangements for their aging workforce. There are myriad activities and approaches that are being considered and practiced:

- Reviewing existing benefit programs to identify areas of opportunity to facilitate phased retirement based on the particular needs of the organization and its employees.
- Making use of other employee pay and benefit programs outside of their qualified pension plan, such as health care, direct compensation, incentives, flexible work arrangements, reduced working schedules and responsibilities, alternative work assignments, eldercare and other assistance services.
- Rehiring bona fide retirees as part-time employees and/or independent contractors on a targeted basis.
- Recruiting targeted at the retiree ranks of their own and other organizations.

- Understanding the organizational culture, leadership, communication, succession planning and training that must accompany a more broad-based phased retirement program.
- Quantifying the cost/benefit of extending the working years of existing retirement-eligible workers as compared to the supply and availability of replacement workers.

The urgency, opportunities, and decisions are unique to each organization. Those employers with a desire and need to create a competitive advantage by offering phased retirement recognize they may experience increased costs associated with retaining their existing aging human capital resources.

Policy Recommendations

We believe the prospects for encouraging older workers to remain in the workforce for longer periods exists using phased retirement programs, but there is much to do in order to support employers to offer and workers to accept phased retirement arrangements. We would like to encourage policy makers to actively:

- Encourage the coordination of DOL, EEOC, and other appropriate governmental entities to facilitate the changing landscape of retirement in the United States.
- Provide for phased retirement distributions from qualified defined benefit plans. The current inability to permit distributions for pre-normal retirement age active employees who want to reduce their work schedules but maintain their employment relationship with their current employer is a significant hurdle for phased retirement programs.
- Endorse defined benefit plans. The flexibility of plan design necessary to foster phased retirement has been a hallmark of defined benefit plans. Phased retirement benefits can be supplemented by the employer under a defined benefit plan in ways that simply are not possible in a defined contribution plan.
- Establish a framework for Americans to understand and practice the key components of successful retirement income planning (e.g., comparable to the food pyramid for encouraging healthy, balanced eating habits).
- Continue conversations with employers, employees and their representatives.

Closing

I want to thank you for holding this hearing. Our firm believes the nation faces unprecedented retirement policy questions. We need as many tools as possible to deal with the associated challenges. The form and construct of our current retirement programs, as shaped by demands of the most recent decades, does not adequately contemplate changing forces. It is imperative we allow for the flexible unfolding of alternative profiles of retirement. The concept of phased retirement and any supporting regulations, legislation or laws are an integral part of the changing landscape; it sets the foundation for a new meaning of retirement in our country.

Watson Wyatt would be pleased to continue to contribute to your discussions of the new definition of retirement in the 21st century. Thank you very much for the opportunity to appear today. I would be pleased to answer any questions you may have.

Senator KOHL. Ms. Peterson, why do you choose to stay in the workforce rather than become a full-time retiree? In other words, what do you get out of your arrangement that you would not get otherwise?

Ms. PETERSON. I get personal satisfaction. I enjoy my work. I have been doing this for 45 years. I have never changed my career because I love my career. It is nice I can work part-time, collect my pension, and I get full health benefits, which I feel is very important for me.

Senator KOHL. Good. You are a medical/surgical transcriptionist?

Ms. PETERSON. Right.

Senator KOHL. Will you explain that?

Ms. PETERSON. Well, the doctors dictate and I type what they say, and to try to figure out sometimes what they say is sometimes hard. They are mumblers or they are foreigners, but we try to do our best.

Senator KOHL. Good. Mr. Holbrook, it is our understanding that there are companies that are reluctant to keep older workers because they feel that the health care costs may rise. Is that an issue that needs to be dealt with?

Mr. HOLBROOK. That is a problem. I would just like to point out, before I answer your question, Senator Kohl, that I was listening to the testimony and it became very personal for me. Starting Monday, at 71, I will begin a full-time job and am looking forward to it.

We have not compared the health care costs of older workers with those of workers younger than age 65, and I am not familiar with other work which has been done. However, it would seem to me that it could cost more for older workers. But on the other hand, it would depend on the individual case. It would certainly be lower in regard to workers with a number of beneficiaries that would be covered by a policy.

So, therefore, we have not done really a cost analysis of this, but it would seem to me that the cost would be something that would have to be considered. I don't think it should be something that would prevent the hiring of older workers, but I think it would be something that we should look at for the future in order to deal with that problem.

Senator KOHL. Thank you. Ms. Paganelli, it is clear that phased retirement could help older Americans work longer, but it also seems to me we need to be doing it carefully and making sure that phased retirement achieves its goal of increasing work. What pitfalls, or unintended consequences, should we watch out for as we address that situation?

Ms. PAGANELLI. The employers that we are in dialog with do have, as I mentioned, varying levels of urgency. For those organizations with the most acute urgency, they are looking for flexibility and the ability to target their phased retirement arrangements on the critical skill employees that drive the success of their organization. They would very much prefer not to cast a broad net that includes all of their retirement-eligible population if there is not a desirable business need.

I would also say that phased retirement is a very, very individual conversation within every organization as to the needs they have

due to the underlying demographics of their organization, and so they are not looking for mandates on a policy basis, they are looking for flexibility, and are trying to avoid undue administrative burdens that limit their ability to offer phased retirement programs.

Senator KOHL. What do you find to be the problems in the caregiving efforts of people who still want to work? Do we need to do more, or encourage companies to help employees find caregiving for their elderly?

Ms. PAGANELLI. I think there is an enormous amount of opportunity in this area and that the opportunity will continue to grow as our workforce and population ages. There are statistics that show that individuals do retire earlier than they might otherwise when elder care is required of them as individuals, and so services that can help support them whether they be the opportunity for social workers to advise them or services that help them locate the care that fits their needs, can only help to balance the opportunity to stay in the workforce while responding to what I think we all believe is a higher priority in caring for our loved ones.

Senator KOHL. Thank you. Senator Smith.

The CHAIRMAN. Thanks, Senator Kohl.

Ms. Paganelli, with respect to those companies that are currently providing phased retirement programs, at what ages are employees starting to ask their employer about phasing down their hours?

Ms. PAGANELLI. I would say again it varies depending on the organization depending on how hard those individuals have been asked to work, depending upon what underlying benefits are available and the underlying messages and opportunities.

Some organizations have a working cohort as early as age 55 who have opportunity to receive their pension benefits on a subsidized basis, have a well-balanced personal savings and 401(k) and have access to medical coverage. So for them, they are not looking at the income dimension, and so employers are having to tap into the enjoyment factor to keep those individuals on their rolls.

I would say other organizations, who maybe only sponsor a defined contribution plan, don't have a built-in incentive for their employees to retire, and therefore the decision to retire becomes very individual on an employee-by-employee basis. These organizations are trying to get more in touch with the thinking around retirement and the savings patterns and the underlying adequacy that individuals have.

So I would say as early as 55 in many organizations and into the 60's for others.

The CHAIRMAN. From your research, what type of phase-down is most common? Is it part-time, 50 percent work? What are you finding?

Ms. PAGANELLI. It is the reduced schedule, and the availability for flexibility.

The CHAIRMAN. Doug Holbrook, many American companies have best practices with respect to recruiting and retaining older workers. In fact, I believe AARP recognizes some of these organizations each year with your Best Employers For Workers Over 50 awards. Could you describe for us some of the practices that have been most effective in terms of retaining and recruiting older workers?

Mr. HOLBROOK. I think the flexible work hours available to the workers certainly adds to it. I think the benefits that they receive are important. I think their desire to work and the fact that the company is receptive to having an older workers employed within their facility is also very helpful.

We are very proud of the program that we have in that category. We have tremendous activity from companies who ask to be considered for the award, and we are very proud of that. It is gaining in momentum, by the way, because more and more companies are saying, we want to be recognized for what we are doing, and they are doing a fantastic job.

For example, in our partnership with Home Depot, we have already brought into the workforce of about 3,200 people. That is a large number of employees in a short period of time.

But it covers a whole range of issues. I think the company has to be receptive to hiring, and also they have to understand that they have a need. They are getting a real bargain when they have an older worker, who certainly brings to the table a lot of information, a lot of talent, and a lot of ability to do great work for the company.

The CHAIRMAN. This Oregon Senator is very proud that Oregon Health & Science University received one of those awards.

Mr. HOLBROOK. Yes.

The CHAIRMAN. Laurie, would you encourage other organizations to adopt the practices that you have helped to lead?

Ms. BARR. I absolutely would. I mean, it really—it truly does benefit employers as well as the individual employees, and it is a win-win.

The CHAIRMAN. Well, obviously there is a nursing shortage in this country and probably necessity created the interest, but no doubt just the skill of older workers in health care surely must have also incentivized OHSU to reach out. Has interest grown among your employees in these kind of incentives to stay?

Ms. BARR. I think so. To be honest with you, it is something that we promote as an employer and not specific to older workers, but just to the fact that we have a large variety in terms of our workforce demographics and flexibility and generous benefits benefit not only older workers, but all kinds of workers, those that are new moms, those that are single parents, those that are new to the workforce. So we really try to encourage that within our organization, to recognize that everyone is at different points in their life and flexibility benefits everyone.

The CHAIRMAN. Have you offered any specific options for older employees in the past to take advantage of it?

Ms. BARR. Not specific to older employees, yes.

The CHAIRMAN. Well, thank you. Kathlyn, I have no questions for you but a big thanks. We appreciate your being here.

Ms. PETERSON. Thank you.

Senator KOHL. We thank you very much for being here. It seems to me we have learned an awful lot about the new demographics that we are facing, and the advisability and also the great potential benefits of encouraging and promoting policies that will increase the number of people working past traditional retirement ages not only full-time but also part-time. This is an issue and a problem

that we need to face as a society, because there will be the need for large increases in the workforce for which we are not presently prepared.

I think we have also come to understand that we need to change some of our policies with respect to health care and pension programs so that it is conducive for people to stay in the workforce, and as Senator Smith pointed out, this is something that we can work on legislatively here and that is what we intend to do. So in that respect, this hearing has been most beneficial and your participation has advanced the cause, and we much appreciate your being here.

Senator Smith.

The CHAIRMAN. Thank you, Senator Kohl. We are adjourned.

Senator KOHL. Thank you very much.

[Whereupon, at 11:44 a.m., the committee was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF SENATOR LARRY CRAIG

Mr. Chairman, I'd like to thank the Ranking Member and you for holding this hearing.

A saying coined in recent years goes, "Demographics are destiny." In some respects, our destiny will be handed to us by demographics. To a significant degree, we already know what that landscape will look like. In other, very important ways, our destiny will depend on how wisely we plan for and greet the future, as individuals and as a society.

The destiny of demographics and the destiny of our determination will intersect at many, different points. One of the most important areas of intersection is the subject of today's hearing: The participation of an older population in the paid work force.

This is a subject that will touch, directly or indirectly, on the quality of life and prosperity of all Americans. It also will help shape the future of Social Security, Medicare, Medicaid, and other society-wide institutions.

We know with certainty what our nation's available, native-born, work force will look like for the next generation. All those workers have already been born. Thanks to the science of demographics, we also predict with relative confidence what the native-born population available for work will look like over the next lifetime. That's why the Government Accountability Office, Congressional Budget Office, Social Security Actuaries, and others, make 75-year projections.

What we don't know, and need to consider, includes how, for how long, and in what jobs, that work force will be working.

The good news is, Americans are living longer and healthier lives. Many older Americans want to continue working. Most members of the "baby boom" generation expect to work productively well into their "golden years."

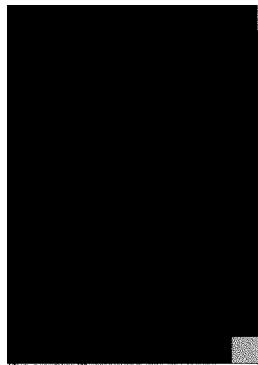
We need to keep in mind how diverse and differently situated our population is. We need to keep in mind the needs and circumstances of those who can and cannot work, those who want to or have to continue working, and changes in technology and the economy.

For those who want to work or need to work, we need to remove impediments. We need to make sure there are appropriate incentives and rewards.

On both the individual level and the national economic level, the idea of "phased retirement" holds out great promise of being a positive means of transition. However, in the tax code, and often in the company culture, there are some major obstacles to this alternative.

Over the next decade, experts tell us our nation faces a labor shortage of 10 to 20 million workers. Some of that shortfall is likely to be met by in-migration. Some, theoretically, could be relieved by increased productivity. However, there is no substitute for the valuable contributions of an experienced, reliable work force of older Americans. For our economy to meet its maximum potential, more of these workers will have to be accommodated in the work force.

Almost two years ago, the Aging Committee held a forum on this very subject, moderated by one of today's witnesses, Ms. Barbara Bovbjerg of GAO. I'm pleased the Committee maintains its interest in this important area and join my Chairman and Ranking Member in welcoming all the witnesses.



**Attitudes of Individuals
50 and Older Toward
Phased Retirement**

Published March 2005



Attitudes of Individuals 50 and Older Toward Phased Retirement

**Data Collected by Knowledge Networks
Report Prepared by S. Kathi Brown**

Copyright © 2005
AARP
Knowledge Management
601 E Street, NW
Washington, DC 20049
<http://research.aarp.org>
Reprinting with Permission

AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We produce *AARP The Magazine*, published bimonthly; *AARP Bulletin*, our monthly newspaper; *AARP Segunda Juventud*, our bimonthly magazine in Spanish and English; *NRTA Live & Learn*, our quarterly newsletter for 50+ educators; and our website, www.aarp.org. AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Acknowledgements

Knowledge Networks, of Menlo Park, California, collected the data for this study through its web-enabled panel. Evelyn Morton and Amy Shannon of AARP Federal Affairs provided subject matter input. Jeff Love, AARP Strategic Issues Research, managed the study and designed the survey. S. Kathi Brown, AARP Strategic Issues Research, prepared the report. For additional information, contact S. Kathi Brown at (202) 434-6296 or Jeff Love at (202) 434-6279.

CONTENTS

I. Executive Summary.....	3
II. Introduction	5
III. Detailed Findings	7
Appendix A: Demographic Profile of Sample.....	19
Appendix B: Demographic Differences for Selected Questions	20
Appendix C: Annotated Questionnaire.....	24

I. EXECUTIVE SUMMARY

This survey of individuals ages 50 and older was designed to gauge reactions to the concept of phased retirement and to determine the extent to which phased retirement would encourage workers near traditional retirement age to remain in the workforce longer than they would have otherwise. The sample included respondents who are working as well as respondents who are retired.

Although only about one in five (19%) respondents had heard of the term “phased retirement” prior to taking the survey, two in five expressed an interest in phased retirement after reading a description of how such a plan might work.

Reactions of Workers

Of all working respondents, nearly two in five (38%) said that they would be interested in participating in phased retirement.

Of workers who specifically expressed *interest* in phased retirement, 78% expect that the availability of such a plan would encourage them to work past their expected retirement age. When workers who expressed interest in phased retirement were asked at what age they would like to start phased retirement, they reported an average age of 61. Nearly half (46%) of workers with an interest in phased retirement said that they would like to start the process between the ages of 60 and 64.

When workers who expressed interest in phased retirement were asked how many fewer hours they would prefer to work if they participated in a phased retirement plan, approximately half (53%) reported that they would like to reduce their weekly schedule by at least 12 hours, while about two in five (39%) said they would like to reduce their weekly schedule by 10 or fewer hours.

Approximately half of all workers (48%) said that, if working under phased retirement meant that they would have to hold a different job with the same employer, this would make the plan less attractive to them. However, a similar number of workers (45%) said that this would have no impact on the plan’s attractiveness, and close to one in ten (8%) indicated that this would make the plan more attractive.

Reactions of Retirees

When asked if they would have been interested in phased retirement if it had been offered to them while they were still employed, 40% of retirees responded affirmatively, and one-third of retirees (33%) indicated that the availability of such a plan would have prompted them to remain in the workforce longer.

Reactions to Plan Features

Across all respondents, there is widespread agreement that the ability to continue to accrue pension benefits while participating in phased retirement is important. In fact, a full 87% of respondents rated this as an important element of a phased retirement plan.

When asked to name the most attractive parts of the presented phased retirement plan, respondents were most likely to refer to the ability to reduce working hours and to the ability to access pension benefits while doing so. However, despite their interest in reducing work hours while gaining access to pension benefits, respondents were somewhat wary about the possibility that participating in phased retirement could lead to reduced final pension benefits after full retirement. In fact, when asked, 63% of all workers indicated that the likelihood that phased retirement could lead to reduced final pension benefits makes the plan less attractive to them.

Conclusions and Recommendations

During the next decade, older workers are projected to increase dramatically as a share of the U.S. workforce while the share of younger workers will decline. In order to prepare for this change, it will become increasingly important for employers to implement practices and policies that encourage workers who might otherwise consider retirement to remain in the workforce.

This survey shows that phased retirement is a practice that would appeal to many workers who are currently approaching traditional retirement age or who are already working beyond traditional retirement age. Close to two in five workers ages 50 and older expressed interest in participating in phased retirement, and nearly four in five of these interested workers expect that the availability of phased retirement would encourage them to stay in the workforce beyond the age at which they would otherwise retire.

Not only does the concept of phased retirement appeal to many workers ages 50 and older, but phased retirement would also benefit employers by enabling them to retain valuable, experienced employees who may otherwise leave their company and/or leave the workforce completely. However, because workers do express some discomfort with the possibility that phased retirement participants' final pension benefits could be reduced as a result of phased retirement, the impact of distributions on final benefits should be explained clearly in any information given to employees who are deciding whether to participate in such an arrangement. This concern also underscores the importance of enabling phased retirement participants to continue to accrue pension benefits.

II. INTRODUCTION

Over the next decade, the workforce in the U.S. is expected to experience a dramatic demographic shift driven largely by the aging of the baby boomers—the 76 million individuals born between 1946 and 1964-- and the significantly smaller size of the generation following the baby boomers. By 2012, workers ages 55 and older will represent 19% of the total U.S. workforce—almost one in five workers— compared to only 14% in 2002. From 2002 until 2012, the number of workers ages 55 and older will grow by 49% while the number of workers under the age of 55 will grow by only five percent. This represents a projected increase of more than 10 million workers ages 55 and older at a time when the number of workers under age 55 is projected to increase by only seven million.¹

In this landscape, employers who do not make an effort to attract and retain older workers are likely to have difficulty finding qualified workers. Employers who wish to hold onto this experienced and growing segment of the workforce will need to implement creative practices that are appealing to these workers.

Phased retirement, or the opportunity to work a reduced schedule prior to full retirement and simultaneously collect pension benefits, has the potential to help employers meet this need. Until now, however, employers who offer traditional defined benefit pension plans have faced significant obstacles to offering phased retirement arrangements.

Recently, however, the Internal Revenue Service proposed new regulations that would help remove these barriers by allowing employees covered by traditional defined benefit pension plans to begin phased retirement as early as age 59 ½. This survey of individuals ages 50 and older was designed to gauge reactions to the concept of phased retirement as outlined and to determine the extent to which phased retirement in general would encourage workers near traditional retirement age to remain in the workforce longer than they would have otherwise.

Overview of Methodology and Sample

Knowledge Networks, a research firm based in California, administered this survey using its web-enabled panel of people who have agreed to participate in surveys. Conducted from January 6th through January 15th 2005, the survey was fielded to panel members who were ages 50 or older. This panel is designed to be representative of the U.S. population and was built by providing Internet devices and Internet service connections to people who have agreed to serve on the online panel. By providing Internet access to willing participants, Knowledge Networks allows individuals who would otherwise have no access to the Internet to participate in online research.

A total of 2,167 individuals participated in the survey. Of all respondents, approximately one-third were workers between the ages of 50 and 65 who plan to retire by age 65, about one-quarter were workers between the ages of 50 and 65 who plan to continue working beyond age 65, approximately one in ten were workers ages 66 or older, and the remaining one-quarter were

¹ Mitra Toossi, "Labor Force Projections to 2012: The Graying of the U.S. Workforce," *Monthly Labor Review*, February 2004.

individuals ages 50 or older who are currently retired. The distribution of the sample is shown in the table below.

Distribution of Sample (n=2167)	
Workers ages 50-65 who plan to retire by age 65	33%
Workers ages 50-65 who do not plan to retire by age 65	27%
Workers ages 66+	11%
Retirees ages 50+	28%
Total Respondents	100%

Demographic Profile of Sample Groups²

Workers 50-65 Who Plan to Retire by Age 65

Individuals who plan to retire by age 65 have an average income of \$65,000, which exceeds the average income of respondents in the other sample groups. More than four in five (86%) workers 50-65 who plan to retire by age 65 are currently working for someone other than themselves, and 14% are either self-employed or an owner or partner in a small business or farm. Workers who plan to retire by age 65 are less likely than those who plan to work beyond age 65 to be self-employed or an owner of a small business.

Workers 50-65 Who Plan to Work Beyond Age 65

Workers 50-65 who plan to work beyond age 65 have an average income of \$56,000, which is roughly equivalent to the average income of workers ages 66 and older. Three in four (75%) are working for someone other than themselves, and approximately one-quarter (24%) are either self-employed or an owner or partner in a small business or farm. They are more likely than workers who plan to retire by age 65 to be self-employed or a small business owner or partner.

Workers Ages 66+

Workers 66+ have an average income of \$57,000, which is roughly equivalent to the income of workers ages 50-65 who plan to work beyond age 65. As might be expected, their average income falls below the average income of workers who plan to retire by age 65 (\$65,000) but exceeds retiree average income (\$41,000). Approximately two in three (66%) workers ages 66 and older are working for someone other than themselves, and nearly one in three (32%) are either self-employed or an owner or partner in a small business or farm. They are more likely than workers ages 50-65 to be an owner or partner in a small business or farm.

Retirees

Retirees have the lowest average income (\$41,000) of all respondents. By definition, they are not employed. Approximately seven in ten of the retired respondents are age 66 or older.

² See Appendix A for a more detailed demographic profile of each of these four groups.

III. DETAILED FINDINGS

A. REASONS FOR CONSIDERING WORKING IN RETIREMENT³

In order to assess motivations for working beyond traditional retirement age, all respondents were asked to indicate the relative importance of various factors in the decision to work in retirement. Respondents were most likely to identify the *need for money* (61%) as a major reason. However, the *desire to stay mentally active*, the *desire to stay physically active*, and the *desire to remain productive or useful* were each identified as major reasons by approximately half of respondents. Approximately half also named the *need for health benefits*. The fact that about half of respondents named several non-financial considerations as major reasons for working in retirement suggests that the desire for personal fulfillment plays an important role in decisions regarding retirement work. In fact, the percentage of respondents who identified the *desire to stay mentally active* and the *need for health benefits* as major reasons were statistically equivalent.

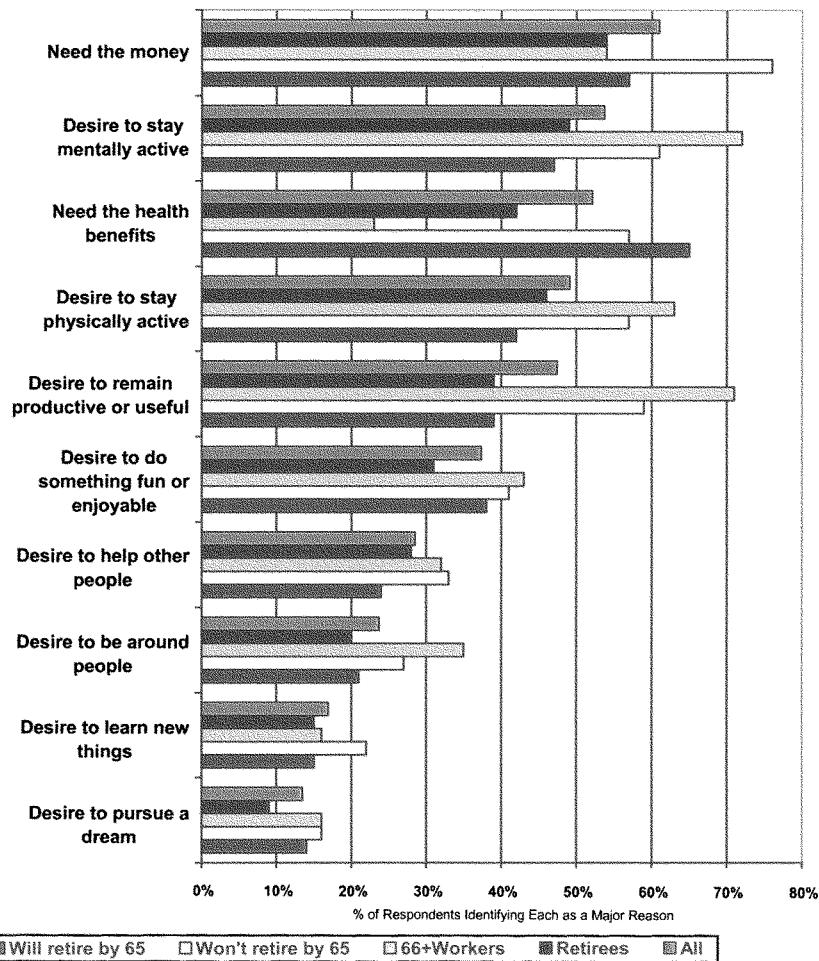
Interestingly, workers ages 50 to 65 who plan to continue working after age 65 (76%) were significantly more likely than other respondents to identify the *need for money* as a major reason to work in retirement.

Workers 50-65 who plan to retire by age 65 (65%) were more likely than other respondents to identify the *need for health benefits*. In fact, the *need for health benefits* was the issue that workers 50-65 who plan to retire by age 65 named more frequently than any other issue as a major reason for considering work in retirement. This suggests that continued access to health benefits could encourage those who otherwise intend to leave the workforce by age 65 to remain in the workforce longer.

Compared to workers 50-65, workers 66+ (23%) were substantially less likely to identify the *need for health benefits*, which may be a reflection of their Medicare eligibility. In fact, workers 66+ were significantly more likely to name personal fulfillment matters as major reasons for working in retirement than to name financial considerations. For example, the *desire to stay mentally active* (72%) and the *desire to remain productive and useful* (71%) were the issues most frequently identified by workers 66+ as major reasons for working in retirement.

³ Reasons for considering working in retirement were identified through Question 2 of the survey. Question 2 was posed to all survey respondents; however, the wording varied slightly based on the subgroup. Respondents who are working and plan to retire by age 65 were asked whether each issue would cause them to consider *not* retiring. Respondents who are working and plan to continue working after age 65 as well as workers ages 66 and older were asked whether each issue is a reason in their decision to remain in the work force. Respondents who are fully retired were asked whether each issue would cause them to consider returning to the work force. See annotated questionnaire in Appendix C for more information.

Major Reasons for Working in Retirement



B. AWARENESS OF PHASED RETIREMENT

Only 19% of all survey respondents reported that they had heard of the term “phased retirement.”

Awareness of phased retirement varied by income and by gender, but did not vary significantly by age or employment status. Specifically, the demographic differences observed included:

- Compared to other respondents, respondents with low incomes (under \$25,000) were significantly less likely to have heard of phased retirement while respondents with high incomes (\$75,000 and above) were significantly more likely.
- Men were more likely than women to report having heard of phased retirement.

Awareness of Phased Retirement by Demographics	
	% Who Have Heard of Phased Retirement*
All Respondents (n=2,159)	19%
Household Income	
Less than \$25,000 (n=437)	10%
\$25,000 - \$49,999 (n=726)	18%
\$50,000 - \$74,999 (n=485)	17%
\$75,000 (n=511)	28%
Employment Status	
Paid Employee (n=1234)	18%
Self-Employed / Partner in Small Business (n=309)	20%
Retired (n=605)	20%
Gender	
Male (n=1075)	21%
Female (n=1084)	17%
Age	
50-65 (n=1505)	19%
66+ (n=654)	18%

* Percentages should be read horizontally across rows. For example, of all respondents 50-65, 19% have heard of phased retirement

C. INTEREST IN PHASED RETIREMENT AMONG CURRENT WORKERS

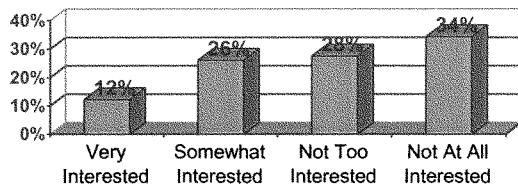
In order to gauge reactions to the concept of phased retirement, respondents were asked to read a description of a sample phased retirement plan. The plan was presented as a work arrangement that employees with traditional pension plans would be eligible to participate in once they reached age 59 ½. It was explained that the plan would allow participating employees to work a reduced schedule prior to full retirement while simultaneously collecting a portion of their pension benefit. Participants would continue to accrue pension benefits while participating in the phased retirement

plan. Once participants reach full retirement, their final pension benefit would probably be less than what they would receive if they had not taken advantage of phased retirement.⁴

After reading the description of the plan, 38% of all respondents who are currently working reported that they would be either *somewhat* or *very interested* in participating in this phased retirement plan. Workers between the ages of 50 and 65 who plan to retire by age 65 (43%) were more likely than those who plan to work beyond age 65 (37%) to express interest.

Interest in Phased Retirement Among Current Workers

(n=1552)



Workers' Interest in Participating in Phased Retirement: Comparison by Age and Projected Retirement				
	All Working Respondents (n=1552)	Worker 50-65, will retire by 65 (n=752)	Worker 50-65, won't retire by 65 (n=576)	Worker 66+ (n=224)
Very / Somewhat Interested	38%	43%	37%	25%
Very Interested	12%	14%	11%	9%
Somewhat Interested	26%	29%	26%	16%

*Q7. "How interested would you be in participating in this type of phased retirement plan?"

Differences in Interest by Demographics

Interest in phased retirement varied by income, employment status, gender, and age. Specifically, the differences by demographics were as follows:

- Workers with incomes between \$25,000 and \$75,000 were more likely than workers with incomes below \$25,000 or above \$75,000 to be interested in phased retirement.
- Individuals who work for someone other than themselves were more likely than self-employed individuals to be interested in phased retirement.
- Women were more likely than men to be interested.
- Workers between the ages of 50 and 65 were more likely than workers ages 66 and older to be interested.

⁴ For the complete description of the phased retirement plan as presented to respondents, see Question 6 of the questionnaire. (Appendix C)

Interest in Participating in Phased Retirement By Demographics* (Base: Respondents who are currently working)	
All Respondents (n=1552)	% Who Are Very / Somewhat Interested 38%
Household Income	
Under \$25,000 (n=246)	34%
\$25,000 - \$49,999 (n=476)	41%
\$50,000 - \$74,999 (n=387)	42%
\$75,000 + (n=443)	34%
Employment Status	
Paid Employees (n=1233)	41%
Self-Employed / Partner in Small Business (n=308)	29%
Gender	
Male (n=773)	36%
Female (n=779)	40%
Age	
50-65 (n=1328)	40%
66+ (n=224)	25%

*Percentages should be read horizontally across rows. For example, of all respondents 50-65, 40% are very or somewhat interested.

D. RETIREES' THOUGHTS ABOUT PHASED RETIREMENT

Of all retired respondents, 40% indicated that they would have been either somewhat or very interested in participating in this type of phased retirement plan if they were still employed. Furthermore, one-third (33%) of retirees indicated that they would have remained in the workforce longer if such a phased retirement plan had been offered to them.

Differences by Demographics

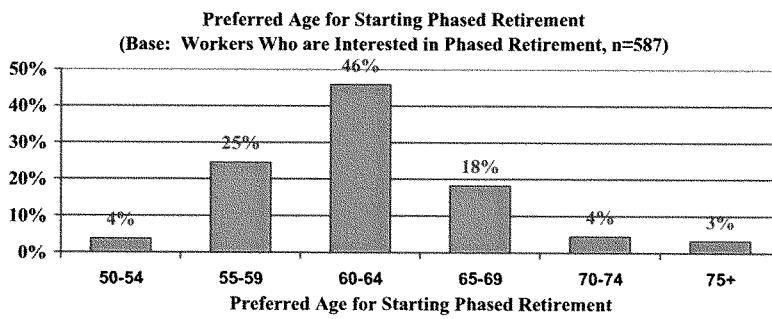
Retirees' thoughts about phased retirement varied by age but did not vary significantly by income or gender. Compared to retirees 66+, retirees between the ages of 50 and 65 were more likely to say that they would have been interested in participating in phased retirement if it had been offered to them while they were still employed. These younger retirees were also more likely than the retirees 66+ to report that phased retirement would have caused them to remain in the workforce longer.

Retirees' Thoughts About Phased Retirement: Comparison By Demographics*		
(Base: Respondents who are retired and not working, n=603)		
	Interest in Phased Retirement if Still Employed % Very / Somewhat Interested	Would Phased Retirement Have Prompted You to Remain in the Workforce Longer? % Yes
Household Income		
Under \$25,000 (n=193)	38%	32%
\$25,000 - \$49,999 (n=246)	41%	34%
\$50,000 - \$74,999 (n=95)	42%	32%
\$75,000+ (n=69)	38%	36%
Gender		
Male (n=300)	37%	32%
Female (n=303)	43%	34%
Age		
50-65 (n=176)	49%	38%
66+ (n=427)	36%	31%

*Percentages should be read horizontally across rows. For example, of all retirees with incomes under \$25,000, 38% were interested in phased retirement. Additionally, of all retirees with incomes under \$25,000, 32% believe that phased retirement would have prompted them to remain in the workforce longer. (Differences by employment status are not shown above as the retirees in this survey are, by definition, not working.)

E. PREFERRED AGE FOR STARTING PHASED RETIREMENT

When workers with an interest in phased retirement were asked at what age they would like to begin phased retirement, they reported an average age of 61. Nearly half (46%) reported that they would like to start phased retirement between the ages of 60 and 64. Another 29% would like to start before the age of 60, while 25% would like to start at the age of 65 or later.



Differences in Preferred Phased Retirement Start Age by Demographics

Respondents with incomes above \$25,000 were more likely than respondents with incomes under \$25,000 to be interested in starting phased retirement before the age of 65. Of all respondents, respondents with the highest incomes (\$75,000+) were the most likely (82%) to be interested in starting phased retirement before the age of 65. This suggests that the preferred age for starting phased retirement is likely linked to financial means.

The preferred age for starting phased retirement did not vary significantly by current employment status or gender.

Preferred Age for Starting Phased Retirement: Comparison by Demographics*				
	Start at 50 - 59	Start at 60 - 64	Start at 65+	Total
Household Income				
Under \$25,000 (n=81)	30%	33%	37%	100%
\$25,000 - \$49,999 (n=193)	23%	50%	27%	100%
\$50,000 - \$74,999 (n=161)	28%	45%	27%	100%
\$75,000+ (n=152)	34%	48%	18%	100%
Employment Status				
Paid Employees (n=494)	28%	46%	26%	100%
Self-Employed / Partner in Small Business (n=88)	30%	47%	24%	100%
Gender				
Male (n=275)	28%	48%	24%	100%
Female (n=312)	29%	44%	27%	100%
Age				
50-65 (n=533)	31%	48%	22%	100%
66+ (n=54)**	6%	28%	67%	100%

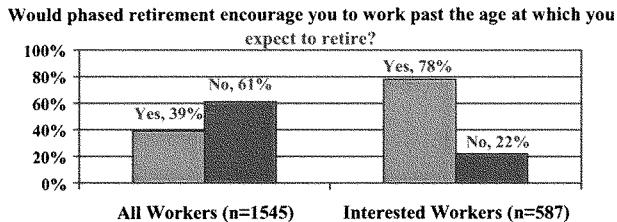
*Percentages should be read horizontally across rows. For example, 28% of men are interested in starting phased retirement between the ages of 50 and 59.

Note that differences by age of respondent are largely due to the fact that 66+ workers are by definition already at least 66 years of age.

** Note small base of respondents 66+.

F. IMPACT OF PHASED RETIREMENT ON FINAL RETIREMENT AGE

Of *all* respondents who are currently working, approximately two in five (39%) indicated that the availability of a phased retirement plan would encourage them to work past the age at which they expect to retire. More importantly, however, of those workers who expressed interest in participating in phased retirement, the vast majority (78%) felt this way.



Differences by Demographics

Expectations regarding phased retirement's impact on retirement age varied by age, income, and employment status. These differences were as follows:

- Compared to respondents 66+, younger respondents were more likely to expect that phased retirement would encourage them to work beyond their expected retirement age.
- Respondents with incomes between \$25,000 and \$75,000 were more likely than those with incomes under \$25,000 to feel this way.
- Compared to self-employed individuals, respondents who are working for someone else were more likely to feel this way.

Responses did not vary significantly by gender.

Impact of Phased Retirement on Final Retirement Age: Comparison by Demographics (Base: All respondents who are currently working, n=1545)	
	% Who Would Be Encouraged to Work Past Expected Retirement Age Due to Phased Retirement*
Household Income	
Under \$25,000 (n=244)	34%
\$25,000 - \$49,999 (n=474)	41%
\$50,000 - \$74,999 (n=386)	41%
\$75,000+ (n=441)	38%
Employment Status	
Paid Employees (n=1227)	41%
Self-Employed / Partner in Small Business (n=307)	33%
Gender	
Male (n=768)	37%
Female (n=777)	41%
Age	
50-65 (n=1321)	40%
66+ (n=224)	31%

* Table shows percentage of respondents who answered "yes" to Q8: "Would the availability of this type of phased retirement plan encourage you to work past the age you expect to retire?"

Percentages should be read horizontally across rows. For example, of all working respondents 50-65, 40% report that the availability of phased retirement would encourage them to work past the age at which they expect to retire.

G. IMPACT OF PHASED RETIREMENT ON WORK SCHEDULE

When workers who expressed interest in phased retirement were asked how many fewer hours they would prefer to work if they were offered the chance to participate in a phased retirement plan, nearly two in five (38%) reported that they would prefer to reduce their weekly schedule by 16 hours. Of all of the possible schedule reductions presented to respondents, the largest—16 hours—was the most popular and was selected approximately twice as frequently as each of the next most popular options (8 and 10 hours). Compared to workers 50-65 who already plan to continue working after age 65, workers 50-65 who plan to retire by age 65 were more likely to be interested in reducing their weekly schedules by 16 hours.⁵

Preferred Weekly Schedule Reduction If Offered Phased Retirement* (Base: Workers who expressed interest in phased retirement, n=590)	
8 hours	19%
10 hours	20%
12 hours	11%
14 hours	5%
16 hours	38%
Not interested in phased retirement	7%
Total	100%

* Q12. "If you were offered the chance to work under a phased retirement plan, how many fewer hours per week would you prefer to work?"

H. REACTIONS TO SPECIFIC CONDITIONS OF PHASED RETIREMENT

Ability to Reduce Working Hours

When asked to identify the *most attractive* parts of this phased retirement plan, respondents were most likely to refer to the ability to reduce their working hours. In fact, more than one-third (36%) of respondents identified the ability to reduce working hours as the most attractive feature.

Ability to Access Pension Benefits While Working

When asked to identify the *most attractive* part of this phased retirement plan, approximately 15% of respondents identified the ability to gain access to pension benefits while reducing work hours.

Continued Accrual of Pension Benefits

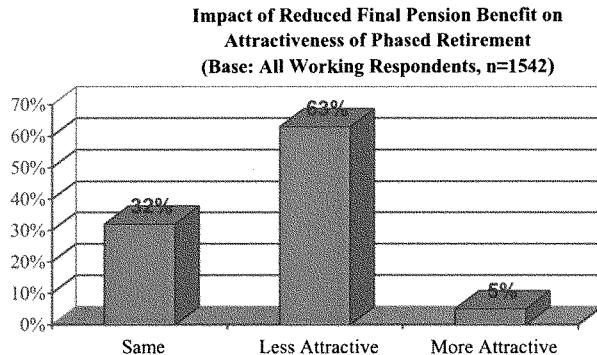
When asked how important it is that employees working under a phased retirement plan continue to build their employer-provided pensions, a full 87% of respondents rated this as *very important* or *somewhat important*, including nearly two-thirds (64%) who rated it as *very important*.

Reduced Final Pension Benefit

When identifying the *least attractive* part of the plan, respondents were most likely to refer to the possibility that participating in phased retirement could reduce the pension income that they receive after fully retiring (22%).

⁵ See Appendix B to learn how responses to this question and the questions addressed in Section H varied by demographics.

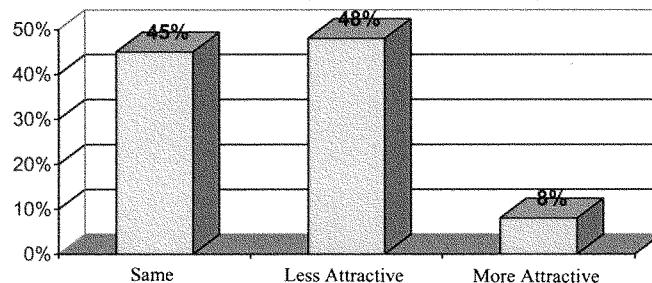
Furthermore, when specifically asked if their interest in phased retirement would be impacted by the likelihood that their final pension benefits could be reduced, nearly two-thirds (63%) of workers reported that that possibility made the plan less attractive to them. However, close to one-third (32%) indicated that their interest in phased retirement was not affected by the possibility that their final pension benefits would be reduced.



Changing Jobs With the Same Employer

Compared to the possibility that phased retirement could result in reduced final pension benefits, respondents were relatively more comfortable with the possibility that participating in phased retirement would require that they move to a different job for the same employer. Specifically, just under half (48%) of workers reported that this possibility made the plan *less attractive* to them, and a similar number (45%) reported that their interest in phased retirement was not affected by this possibility.

If phased retirement meant you would have to do different work for the same employer, would this make the plan more attractive, less attractive, or about the same? (Base: All Workers, n=1542)



I. CONCLUSIONS AND RECOMMENDATIONS

During the next decade, older workers are projected to increase dramatically as a share of the U.S. workforce while the share of younger workers will decline. In order to prepare for this change, it will become increasingly important for employers to implement practices and policies that encourage workers who might otherwise consider retirement to remain in the workforce.

This survey shows that phased retirement is a practice that would appeal to many workers who are currently approaching traditional retirement age or who are already working beyond traditional retirement age. Close to two in five workers ages 50 and older expressed interest in participating in phased retirement, and nearly four in five of these interested workers expect that the availability of phased retirement would encourage them to stay in the workforce beyond the age at which they would otherwise retire.

Not only does the concept of phased retirement appeal to many workers ages 50 and older, but phased retirement would also benefit employers by enabling them to retain valuable, experienced employees who may otherwise leave their company and/or leave the workforce completely. However, because workers do express some discomfort with the possibility that phased retirement participants' final pension benefits could be reduced as a result of phased retirement, the impact of distributions on final benefits should be explained clearly in any information given to employees who are deciding whether to participate in such an arrangement. This concern also underscores the importance of enabling phased retirement participants to continue to accrue pension benefits.

APPENDIX

APPENDIX A: DEMOGRAPHIC PROFILE OF SAMPLE

	Demographic Profile of Sample				
	Workers 50-65, will retire by 65 (n=754)	Workers 50- 65, will <u>not</u> retire by 65 (n=577)	Workers 66+ (n=229)	Retirees (n=607)	All Respondents (n=2167)
Household Income					
Under \$25,000	12%	19%	19%	32%	20%
\$25,000 - \$49,999	30%	31%	32%	41%	34%
\$50,000 - \$74,999	24%	28%	23%	16%	22%
\$75,000+	34%	22%	25%	11%	24%
Average HH Income (\$ thousands)	\$64.7	\$55.5	\$57.3	\$40.8	\$54.8
Employment Status					
Paid Employees	86%	75%	66%	NA	57%
Self-Employed	9%	18%	19%	NA	10%
Owner or partner in a small business, professional practice, or farm	5%	6%	13%	NA	5%
Work at least 15 hours a week without pay in a family business or farm	**	1%	1%	NA	1%
Retired	NA	NA	NA	100%	28%
Gender					
Male	51%	49%	45%	50%	50%
Female	49%	51%	55%	50%	50%
Age					
50-54	43%	39%	NA	3%	26%
55 - 65	57%	61%	NA	26%	44%
66+	NA	NA	100%	71%	30%

*Percentages should be read vertically down columns. For example, of all workers 50-65 who plan to retire by 65, 9% are self-employed.

**Less than 0.5%.

APPENDIX B: DIFFERENCES BY DEMOGRAPHICS FOR SELECTED QUESTIONS⁶

IMPACT OF PHASED RETIREMENT ON WORK SCHEDULE

Q12: “If you were offered the chance to work under a phased retirement plan, how many fewer hours per week would you prefer to work?”

Among workers who are interested in phased retirement, anticipated impact of phased retirement on weekly schedules varied by income and gender. The specific differences were as follows:

- Compared to interested respondents with incomes under \$75,000 (35%), interested respondents with incomes of at least \$75,000 (48%) were more likely to select the largest schedule reduction of 16 hours per week.
- Men who were interested in phased retirement (43%) were more likely than women who were interested (34%) to select the largest schedule reduction of 16 hours per week.

REACTIONS TO SPECIFIC CONDITIONS OF PHASED RETIREMENT

Q10. “What do you think is the *most* attractive part of this phased retirement plan?” (open ended)

Ability to Reduce Working Hours

Respondents with higher incomes, those who are currently working for someone other than themselves, and those who are younger were more likely than other respondents to identify reduced working hours as the most attractive part of the plan. Specifically, the differences were as follows:

- Compared to respondents with incomes under \$25,000 (28%), respondents with incomes of at least \$25,000 (38%) were more likely to identify reduced working hours as the most attractive part of the plan.
- Respondents who are currently working for someone other than themselves (38%) were more likely than retirees (31%) to identify reduced working hours as attractive.
- Compared to respondents over the age of 65 (28%), respondents 50-65 (39%) were more likely to identify reduced working hours as attractive.

Ability to Access Pension Benefits While Working

Respondents who were more likely than others to identify the ability to access pension benefits while reducing work hours as the most attractive part of the plan included respondents with lower incomes and women. Specifically, the differences were as follows:

- Compared to respondents with incomes of \$75,000 or more (12%), respondents with incomes below \$75,000 (16%) were more likely to identify this as the most attractive part of the plan.

⁶ Appendix B explains how responses to certain survey questions varied by demographics. For most of the survey questions not addressed in this appendix, information about the extent to which responses varied by demographics may be found within the body of the report.

- Women (18%) were more likely than men (13%) to identify this as the most attractive part of the plan.

Q11. “What do you think is the *least* attractive part of this phased retirement plan?” (open ended)

Reduced Final Pension Benefit

Those who were more likely than other respondents to identify reduced final pension benefits as the least attractive part of the plan included women and retirees. Specifically, the differences were as follows:

- Women (25%) were more likely than men (19%) to identify reduced final pension benefits as the least attractive part of the plan.
- Retired respondents (26%) were more likely than respondents who are working for someone other than themselves (21%) and self-employed respondents (17%) to identify reduced final pension benefits as the least attractive part of the plan.

Q11a. “How important is the fact that employees working under a phased retirement plan continue to build their employer-provided pensions?”

Respondents with higher incomes, those who are retired, and workers who plan to retire by age 65 were more likely than other respondents to indicate that the ability to continue to build their pensions is an important feature of the plan. Specifically, the differences were as follows:

- Compared to respondents with lower incomes (86%), respondents with incomes of at least \$75,000 (90%) were more likely to identify this as important.
- Retirees (89%) were more likely than working respondents (86%), particularly self-employed respondents, to identify this as important.
- Retirees (89%) and workers ages 50-65 who plan to retire by age 65 (88%) were more likely than workers ages 50-65 who plan to work beyond age 65 (84%) to identify this as important.

Importance of Continuing to Accrue Pension Benefits: Comparison By Demographics and Work Plans (Base: All Survey Respondents, n=2145)	
	% Who Selected Very / Somewhat Important*
Household Income	
Under \$25,000 (n=434)	83%
\$25,000 - \$49,999 (n=718)	87%
\$50,000 - \$74,999 (n=480)	87%
\$75,000+ (n=513)	90%
Employment Status	
Paid Employees (n=1227)	87%
Self-Employed / Partner in Small Business (n=311)	84%
Retired (n=597)	89%
Gender	
Male (n=1068)	86%
Female (n=1077)	88%
Age	
50-65 (n=1499)	86%
66+ (n=646)	88%
Sample Group: Age and Work Plans	
Workers 50-65, will retire by 65 (n=751)	88%
Workers 50-65, won't retire by 65 (n=572)	84%
Workers 66+ (n=225)	87%
Retirees (n=597)	89%

*Percentages should be read horizontally across rows. For example, of all workers ages 50-65 who plan to retire by age 65, 88% believe that the ability to build pension benefits would be an important feature of a phased retirement plan.

Q13. "Because persons working under phased retirement receive some of their pension benefits, their final pension benefit when they actually retire will probably be less than if they had not taken advantage of phased retirement. Does this make the phased retirement plan more attractive to you, less attractive to you or about the same to you?"

Workers with higher incomes were more likely than those with lower incomes to report that the possibility of a reduced final pension benefit made the plan less attractive. In contrast, self-employed workers and workers ages 66 and older were more likely than others to say that this did not affect the plan's attractiveness. The significant differences were as follows:

- Workers with incomes of at least \$50,000 (66%) were more likely than workers with lower incomes (60%) to report that this would make the plan *less attractive* to them.
- Self-employed workers (42%) were more likely than those who are working for someone else (29%) to report that this would not affect the attractiveness of the plan.

- Workers ages 66 and older (37%) were more likely than workers 50-65 (31%), particularly those workers who plan to retire by age 65, to say that this would not affect the attractiveness of the plan.

Q 14. “If working under a phased retirement plan meant you would have to do different types of work for the same employer, would this make this phased retirement plan more attractive to you, less attractive to you or about the same to you?”

Compared to other workers, those who work for someone other than themselves and workers 50-65 who plan to retire by age 65 were more likely to report that a requirement to take a different job with the same employer would make the plan *less attractive*. Although very few respondents indicated that this would make the plan *more attractive*, men were more likely than women to feel this way. Workers with lower incomes were more likely than other workers to say that a requirement to move to a different job with the same employer would have no affect on the plan's attractiveness.

- Workers with incomes under \$50,000 (49%) were more likely than workers with incomes of at least \$50,000 (40%) to say that moving to a different job with the same employer would not affect the attractiveness of the plan.
- Workers who work for someone other than themselves (49%) were more likely than self-employed individuals (43%) to report that this would make the plan *less attractive*.
- Men (9%) were more likely than women (6%) to report that this would make the plan *more attractive*.
- Workers ages 50-65 who plan to retire by age 65 (51%) were more likely than workers ages 50-65 who plan to work beyond age 65 (43%) to report that this would make the plan *less attractive*.

APPENDIX C: ANNOTATED QUESTIONNAIRE

We are interested in finding out more about your work and retirement plans. This survey will help us understand the national portrait of Americans as they face decisions about employment and retirement.

[Workers 50-65:]

- S1. Do you plan to retire at or before age 65? (n=1331)
- I plan to retire at or before age 65 (57%)
 - No, I do not plan to retire at or before age 65 (43%)

[ALL]

- Q 1 Are you currently eligible to receive payments from any of the following types of pension plans or retirement plans? (n=2,047)

- a.) A traditional pension plan that your employer funds but to which you do not contribute money (27%)
- b.) Pension payments for veterans provided by the U.S. government (4%)
- c.) Payments from an individual retirement account, or IRA (31%)
- d.) Payments from a 401(k) or 403(b) retirement account (29%)
- e.) Payments from a Keogh retirement plan (2%)
- f.) Retirement benefits from social security (62%)
- g.) Payments from another kind of retirement plan, including federal, state and local pensions (21%)
- h) None of the above (14%)

[Ask different versions of question stem according to sample group]

- Q 2 This question asks about some reasons why people continue to work in retirement. (n=2,142)

(IF Worker 50-65 who plans to retire by age 65:) Please indicate whether each reason below would be a major reason, a minor reason, or no reason at all if you were to consider not retiring and staying in the work force. (n=750)

(IF Worker 50-65 who does not plan to retire by age 65 or Worker 66+;) Please indicate whether each reason below is a major reason, a minor reason, or no reason at all in your decision to remain in the work force. (n=797)

(IF Retiree:) Please indicate whether each reason below would be a major reason, a minor reason, or no reason at all if you were to consider returning to the work force. (n=595)

You'll need the health benefits (52%)

You need the money (61%)

Desire to pursue a dream (14%)

Desire to learn new things (17%)
 Desire to be around people (24%)
 Desire to help other people (29%)
 Desire to remain productive or useful (47%)
 Desire to do something fun or enjoyable (37%)
 Desire to stay mentally active (54%)
 Desire to stay physically active (49%)
 Some other reason (Please specify: (7%)

[Workers 50-65 who plans to work after age 65 or Workers 66+:]

Q 4 Which of the following, if any, best represents what you plan to do during your retirement?
 (n=722)

Start your own business or work for yourself, doing the same type of work you do now (18%)
 Start your own business or work for yourself, doing something different (14%)
 Work part-time, with the same employer you have now (24%)
 Work part-time, with a different employer (25%)
 Work full-time, with the same employer you have now (14%)
 Work full-time, with a different employer (5%)

Main Questions

[ALL]

Q 6 Have you ever heard of “phased retirement?” (n=2159)

Yes (19%)
 No (82%)

Display Screen1

[ALL]

Here is how a phased retirement plan could work.

One way phased retirement could work would be to combine retirement and working. After an employee reaches age 59 ½ the employee would work part-time for their current employer and start to collect a portion of their pension benefits.

Employees would have to work at least 20% less than they do now, so someone who works a 40 hour week full time would have to work 32 hours or less under phased retirement.

If an employee has a traditional pension (one that their employer pays into but they do not), the employee would receive a partial pension benefit while they participate in phased retirement. For

example, an employee who reduces their hours by 30% would receive 30% of pension benefits for which they qualify while they are working in phased retirement.

When they fully retire, the employee would get a pension benefit based on their years of service, including benefits earned while working under phased retirement. The employee's final pension benefit when they actually retire will probably be less than if they had not taken advantage of phased retirement

[Workers 50-65 or Workers 66+:]

Q 7 How interested would you be in participating in this type of phased retirement plan?
(n=1552)

- Very interested (12%)
- Somewhat interested (26%)
- Not too interested (28%)
- Not at all interested (34%)

[Workers 50-65 or Workers 66+:]

Q 8 (For Group A & B) Would the availability of this type of phased retirement plan encourage you to work past the age you expect to retire? (n=1545)

	All Workers (n=1545)	All Workers Who Selected "Very / Somewhat Interested" in Q7 (n=587)
Yes	39%	78%
No	61%	22%

[Workers 50-65 or Workers 66+ AND Q7=Very/Somewhat Interested:]

Q8a. At what age would you be interested in starting phased retirement? (n=587)

Mean: 61

[Workers 50-65 or Workers 66+ AND Q7=Very/Somewhat Interested:]

Q8b. Would you be more likely to use phased retirement to: (n=587)
 (1) shorten the number of years you had planned to work full time (49%)
 or
 (2) lengthen the number of years you can stay in the work force because of phased retirement (51%)

[Retirees:]

Q 9 When you were still employed, how interested would you have been in participating in this type of phased retirement plan? (n=603)

- Very interested (15%)
- Somewhat interested (25%)
- Not too interested (25%)
- Not at all interested (36%)

[Retirees:]

Q 9b If such a phased retirement plan had been offered to you when you were employed, would it have prompted you to remain in the work force longer? (n=604)

- Yes (33%)
- No (67%)

[ALL]

Q 10 What do you think is the most attractive part of this phased retirement plan? (open-ended)
INCLUDE HYPERLINK BACK TO PLAN DESCRIPTION [DISPLAY SCREEN]

[ALL]

Q 11 What do you think is the least attractive part of this phased retirement plan? (open-ended)
INCLUDE HYPERLINK BACK TO PLAN DESCRIPTION [DISPLAY SCREEN]

[ALL]

Q11a. How important is the fact that employees working under a phased retirement plan continue to build their employer-provided pensions? (n=2145)

- Very important (64%)
- Somewhat important (23%)
- Not too important (7%)
- Not at all important (7%)

[ALL]

Q11a. Please tell us about which parts of the plan are vague or not clear to you. (open-ended)
INCLUDE HYPERLINK BACK TO PLAN DESCRIPTION [DISPLAY SCREEN]

[Workers 50-65 or Workers 66+:]

Q 12 If you were offered the chance to work under a phased retirement plan, how many fewer hours per week would you prefer to work? (n=1549)

Hours	All Workers (n=1545)	All Workers Who Selected "Very / Somewhat Interested" in Q7 (n=587)
8	11%	19%
10	11%	20%
12	5%	11%
14	2%	5%
16	21%	38%
Not interested in phased retirement	50%	7%

[Workers 50-65 or Workers 66+:]

Q 13 Because persons working under phased retirement receive some of their pension benefits, their final pension benefit when they actually retire will probably be less than if they had not taken advantage of phased retirement.

Does this make the phased retirement plan more attractive to you, less attractive to you or about the same to you? (n=1542)

More attractive (5%)
Less attractive (63%)
Same (32%)

Q 14 [Workers 50-65 or Workers 66+:]

If working under a phased retirement plan meant you would have to do different types of work for the same employer, would this make this phased retirement plan more attractive to you, less attractive to you or about the same to you? (n=1542)

More attractive (8%)
Less attractive (48%)
Same (45%)

[ALL]

Q15. Have you ever experienced what you consider to be age discrimination in hiring, promotions, or treatment by superiors or co-workers? (n=2152)

Yes (26%)
No (74%)

